Suven Life Sciences Ltd
Q4 & FY18 Earnings Conference Call
May 16, 2018

Moderator Ladies and gentlemen, good day and welcome to Suven Life Sciences Limited Q4 & FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you sir.

Gavin Desa: Thank you. Good day, everyone and thank you for joining us on this call to discuss Suven Life Sciences Results for Q4 & FY'18. We have with us Mr. Venkat Jasti – Chairman & CEO and Mr. Venkatraman Sunder – Vice President, Corporate Affairs.

Before we begin, I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance have been mailed to you earlier.

I would now request "Mr. Jasti to Share his Perspectives on Performance and his Outlook Going Forward." Over to you, sir.

Venkat Jasti: Thank you, Gavin, and thanks everyone for tuning in for our update of year-end results for the fiscal '18. As you know, the numbers are with you and I do not want to delve into the numbers again. The good part of it is that this quarter we have in the CRAMS side, one molecule which is in the Phase-3 has gone into the next level for a women's health-based activity for a kind of an NDA filing which is what has been listed. So, with that our so-called commercial and a new product for NDA submission gave a revenue of Rs.120 crore for this year. With this, both the top line and bottom line grew well and things are moving in the right direction. As usual as you know the visibility is only for six months for us and our guidance will be 10-15% growth on the core CRAMS for sure and with one or two surprises like this we can have much better growth like this year also. That is on the CRAMS side of the business.

One more thing is on the Specialty Chemicals. We thought it degrow around 25%, however one-third de-growth has happened. I think it will stabilize at this level for the next couple of years, and by that time we expect a couple other molecules to come into the foray by 2021 and that is our honest hope.

With respect to the ANDAs, we have filed additional ANDA. There is inspection that happened recently with FDA, and the preapproved inspection also happened. Some of you know that there are observations, and we understand that everybody is

perturbed with the observations even though we are saying it is normal during the course of the action, and as we have mentioned the EIR has come already and action is actually initiated and we hope to get that ANDA approval in the next six to ten months timeframe; and continuously we are trying to file two to three ANDAs from now onwards, it may go up. So this is in a nutshell our revenue generating model.

With respect to the innovation, the things are moving well and SUVN-502 has 443 patients enrolled already and we expect the enrollment to be complete by September 2018 (which means the actual trial is likely to complete by mid 2019) and based on that we expect the second quarter of next year certainly to have results of that trial and we are very happy that so far about it. because it is a double blind study, we do not know the efficacy part of it, but based on the drug safety monitoring board [DSMB] review, there are no serious adverse event related to the drug, so we are very enthused with that because most of the drug [fail on safety], [and hence] we see safety aspect first, efficacy second. So it is a great thing that is going on and I think we are at the top of the chart for authentication.

With respect to the G3031 which is in Phase-1, now we are in the process of finalizing a protocol for the Phase-2 study, which should happen this calendar year itself. This is mainly used for the Narcolepsy associated with the Cataplexy, that is the excessive daytime sleep and other related sleep disorders. The other molecules 911 and 4010 are going through with the long-term safety toxicology. In addition to that, another molecule will move into Phase-1 this year, that is M1-PAM that is for pain and that also will happen during the calendar year. Things are going well and hoping for the best and hope this will fructify into a good thing for us, the next year some time and monetization sometime in 2020 calendar.

With this, I will turn the mic on to take the questions. Thank you once again for the tuning.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Jiten Parmar: I have just one specific question on Suven 502. You mentioned that enrollments will be over by September. When can we expect the Phase-2a results? I missed that; I could not get that completely.

Venkat Jasti: After the last patient is enrolled, it takes roughly 9-10 months to get the data out [because 7-months]. You see our total patients has to come out of the trial; after last patient IN to last patient OUT is 7 months, after that it is two months to remove data lock-in and cleaning up. So roughly 10-months,that is why I said second quarter of next year to third quarter of next year in between.

Jiten Parmar: So, quite a few of the competitors' drugs have actually not passed in Phase-III. What are we doing different or how is our drug a bit different so that we have a better chance than them?

Venkat Jasti: We do not do anything different. Whatever we have done, has been done in choosing the molecule which has no side effects in the preclinical animals and efficacy and the same thing is continuing in the [phase 2] clinical trial also. If you see the problem with most of the molecules especially after they have gone into successful Phase-II and then into Phase-III, it would find some drug-related side effects, hence we have to reduce the dose the dose for the patient. In our case, we

can increase the dose 5x also without such problem. The drug safety monitoring board has reviewed the data as of last month and they have confirmed that there is not even a single SAE that was due to the drug. The aged people will be having the problems but not because of the drug. So it is not what we do [differently], this is what we have [for our molecule], and the thing what we have designed and developed [and tested] in the early stages itself, this is where the difference will come into the picture. From the beginning we are telling our people safety is very important and we are only waiting for [blessings of] the efficacy which we will know only next year.

Moderator: Thank you. We will take the next question from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.

Rashmi Sancheti: Sir, my question is related to the commercial launch sales. You have achieved Rs.120 crore this year. So this entire Rs.120 crore is coming out of three molecules – that is one, diabetic, one rheumatoid arthritis and one NDA filing which you have done or is it like you have some other molecule also?

Venkat Jasti: [No-no], The total amount belongs to four different molecules – RA, Diabetes, Depression and as I have said last quarter, we have added [this one more] for Women's Health.

Rashmi Sancheti: So can you give the split like how much has come from RA, Depression, Diabetic etc?

Venkat Jasti: It is too granular; we are not going [to provide micro detals] after that because it is too much [granular] a thing is because these are things which we have mentioned earlier, the information [quantities] for the commercial we will be given; the data on project wise, product wise, will be difficult.

Rashmi Sancheti: Sir, this new filing which you have done, this is in which therapy?

Venkat Jasti: Women's Health.

Rashmi Sancheti: What is the guidance which you are giving now since four molecules are there in FY'19 and '20?

Venkat Jasti: We expect around Rs.90-100 crore.

Rashmi Sancheti: What about your Specialty business? You said that it will get stabilized in FY'19 and '20. Basically, I want to understand properly about this degrowth which we have seen in this particular year, it is only because the drug has become generic, right, I mean, the generic competition has come in. So we will not see any further competition coming in and further deterioration?

Venkat Jasti: Will set at this level for the next couple of years and after that by some more [reduction in] percentages, not like one-third down. But by the time, we hope to have other molecules which are in development as I was telling you earlier, can kick in to fill the gap by 2020-21.

Rashmi Sancheti: Sir, the last question is related to R&D expenditure on SUVN-502, how much we have we done in Q4 and for the full year?

Venkatraman Sunder: For Q4 it is just about $1 million and for the full year it is $5.35 million.

Rashmi Sancheti: So till date how much have we done?

Venkatraman Sunder: $14.95 million is the actual expenditure, close to $15 million.

Moderator: Thank you. We will take the next question from the line of Sriram Rathi from ICICI Securities. Please go ahead.

Sriram Rathi: If I assume around 10-15% growth on the core CRAMS and 25% decline in the Specialty Chemicals and around Rs.100 crore revenue from the commercial supply, is there a possibility of revenue decline in FY'19? The slide shows that it grew flattish to marginal decline on the consolidated revenue.

Venkat Jasti: Really should not be, I think we should maintain it, there should not be any decline.

Sriram Rathi: This Rs.90-100 crore of revenue target that we are giving for the commercial supply, so that includes any further pre-launch supplies for that NDA which is going to get filed?

Venkat Jasti: No, that will take some time.

Sriram Rathi: So probably that may come in the following year?

Venkat Jasti: Yes.

Sriram Rathi: So basically, if the NDA is getting filed, should it take 6-12 months for the product.

Venkat Jasti: I think what happened is they did not finish the FDA filing, but they have taken proactively things for final NDA, which in turn will be used as a prelaunch if everything goes and agreed by the FDA. I think we are confident about the risk they have taken, [and] that is what I can say.

Sriram Rathi: There is a possibility of additional supplies also if they find it, probably the launch could be clear?

Venkat Jasti: Yes, it is anybody's guess.

Sriram Rathi: What kind of CAPEX should we assume for FY'19?

Venkat Jasti: For FY'19, which we have not finalized yet, one formulation manufacturing block of Rs.75 crore CAPEX which we will finalize in next few weeks and also one additional block in Vizag for another Rs.75 crore [roughly], so this by the next concall it will be finalized [and updated]. So that will be the new CAPEX which we are envisaging.

Sriram Rathi: Will it be spread across probably about two years or something like that?

Venkat Jasti: Rs.150 crore in next 18 months. Other than the existing one, out of which half of the money will be spent this year.

Sriram Rathi: The formulation block will be coming in which plant?

Venkat Jasti: This is for the oral dosage forms like tablets and capsules for a commercialization purpose which we have done, and is mainly for that purpose.

Sriram Rathi: Will the formulation block be cominf in Vizag itself?

Venkat Jasti: No, this is in Pashamylaram, actually [near] existing R&D block.

Sriram Rathi: For the Phase-2 trials, what kind of R&D expenses we should assume for FY'19 total, like this year it was around $5 million, so next year since there are more products coming in?

Venkat Jasti: This year we should be spending more money because the close out things will happen, I think it will be around $8 million to $10 million.

Moderator: Thank you. We will take the next question from the line of Cyndrella Carvalho from Dolat Capital. Please go ahead.

Cyndrella Carvalho: I wanted to understand both products which have entered the commercial space. You said it is from the women's healthcare, but any understanding that you can provide in terms of like when we would be able to expect the NDA filing?

Venkat Jasti: First of all, we will just supply the material and they have to make the API, the formulation and all that stuff. Before you know, I think they have to file, but we do not have the inroads into their project management or their thought process, the process they are taking proactively because they have the data which is good for us and if everything goes well this calendar year they might be filing.

Cyndrella Carvalho: The second product in the Phase-3 has not yet contributed, this is the one which is still remaining in the Phase-3, any color on that?

Venkat Jasti: No visibility on this as of today.

Cyndrella Carvalho: Just on the women's healthcare, would you be able to let us know which sub-area of women's healthcare this product is?

Venkat Jasti: Until they file the NDA, I have no idea, it is women healthcare, that is what it is.

Cyndrella Carvalho: Sir, now you are saying that the guidance for the overall next year commercial supply is around Rs. 90-100 crore and if we look at the core CRAMS keeping the commercial supplies aside, it is still a healthy base that we have achieved. So what is our thought in terms of the entire CRAMS project those are under us and the queries that we are receiving, how should we look at this base of closure to Rs. 3 billion right now and how should we look at it going ahead and what is the customers review so far?

Venkat Jasti: If you see the churning is good and more number of compounds are going into phase-2 which is giving a better mix of the product and with the better traction and better focus by the innovators in choosing the compounds also giving us better results, but as you know every stage has a gate, we do not know whether the gate will open faster or slower, so that is something I cannot tell but things are looking good. But since I do not have the visibility more than six months, I cannot predict anything, but things happen this quarter like that can happen and then you can [get] margins, and the [good] top line growth.

Cyndrella Carvalho: Considering that we will be spending little higher on R&D this year, the margins that we have done this year, would we believe able to sustain or can we better it, what is our view?

Venkat Jasti: As I said, I can give you only the bottom line what we are hoping to keep (+30%) EBITDA margin what we do and if the margins are better based on the product mix that will happen. But I cannot predict as of now, [otherwise] it is (+30%) EBITDA margins and (+20%) net profit margins what we expect even after the traditional R&D expense.

Cyndrella Carvalho: There are a few more products under our development on the Specialty Chemicals side we were working on. Any update on that side?

Venkat Jasti: Yes, I was telling them before, we hope to have something kicking in within the 2021 timeframe.

Moderator: Thank you. We will take the next question from the line of Amit Kadam from LIC Mutual Fund. Please go ahead.

Amit Kadam: Sir, can you share the details of your CRAMS pipeline as of date?

Venkat Jasti: Yes, as of now we have 72 projects in Phase-1, 36 in Phase-2, 1 in Phase-3 and 1 moved in between the launch, it is in NDA stage, plus 3 commercial, total 113.

Amit Kadam: Second thing, what is our plan like long-term goals in developing our own ANDA business where we have started filing, so total filings for the next three-year target and estimated revenue out of this?

Venkat Jasti: As you know, these ANDAs, unlike regular generic players, are not big volume-based ANDAs, these are niche products. It will be $2-3 million range margins for us for each ANDA, that is what we expect.

Amit Kadam: So two to three ANDA filings is like per year what we are targeting, right?

Venkat Jasti: Filings, yes,

Amit Kadam: But in this current scenario in US where most of the existing guys have actually suffered in terms of the pricing part, where things have actually come down, and in that case we are entering, so $2-3 million is what we are building up case based on the previous number or like how the things current pipeline, have we reviewed the current development pipeline vis-à-vis what is the current scenario in the market?

Venkat Jasti: If we look into the future, what are the things that are needed. You do not look into the past and see what is needed, right. So when we plan this one, these are all based on for ’19,. ‘20, ’21 timeframe-based activities only when that is needed, so these are all future plans based activity, so there will not be any changes.

Amit Kadam: Likelihood that how many competitors would be there like the pipeline what we are trying to build – it will be a super competitive market?

Venkat Jasti: Actually, this will be a one-off kind of a thing, maximum one more [company] person maybe there, the molecules we have chosen are based on that category, there are not many people that will come into the picture.

Amit Kadam: I just want my numbers to be correct in this thing; so our trials are expected to be done by October to December timeframe this year?

Venkat Jasti: The last patient enrollment should take place by September this year and after that a seven months trial and after that another two months for the [removal of] data locked-in and then data analysis; so that is the way it works. So it will be sometime in the second quarter of [FY] next year.

Amit Kadam: I just wanted to understand how the commercial molecules are like because when we completed our Q3 call, we were somewhere between in the Q4 and then we had revised that guidance upward of Rs.85 crore and then finally what happened is that by the end of Q4, actually for the entire year we delivered almost Rs.120-odd crore in that particular thing. So is that like something which were really not planned and only in Q4 hardly 45-days were left and this surprise had come from the fourth molecule which the client went for filing of that thing which was not anticipated while we were doing?

Venkat Jasti: They [our sponsors] gave an indication, but based on indication and until the PO comes in, I cannot talk myself, but we will proactively prepare ourselves and we will keep some raw materials kept ready, because this is where the successive project [and that is where project] management comes into picture, you are there with them into thick and thin all these developmental way and when they need to do something as a proactive measure and you need to be proactive too, sometimes it can take 30-40-days we may have to deliver. There is a small volume but very high value products, so it can happen because these things are done earlier, and we have an indication and we keep some raw materials proactively on hand and when the PO comes, and when a call comes like this, there would be an announcement but not until the PO comes into the picture. So it is not that a surprise but it is a known thing [for us].

Amit Kadam: So, is it fair to assume, that the last quarter when we did a commercial molecule sale of Rs. 24 crore and this year we have ended somewhere around Rs. 54-odd crore, that means this incremental Rs. 30 crore is specifically coming from this new forte women's healthcare molecule?

Venkat Jasti: Yes, it comprises of three different molecules.

Amit Kadam: How are the other three, since I know that you are not giving a breakup now,?

Venkat Jasti: Half of it is for the new molecule.

Moderator: Thank you. We will take the next question from the line of Pranoy Kurian from Ambit Capital. Please go ahead.

Pranoy Kurian: I just wanted some more clarity on the segmental revenue split. So I think you had said that for commercial CRAMS, Rs.120 crore was a figure for the year FY'18?

Venkat Jasti: Yes.

Pranoy Kurian: The regular CRAMS, would it be around Rs.280 crore, what is the figure exactly?

Venkatraman Sunder: Rs.295 crore.

Pranoy Kurian: Your Specialty would be?

Venkatraman Sunder: Rs.154 crore.

Pranoy Kurian: So I think you have said Specialty you expect some stabilization until FY'21?

Venkat Jasti: Yes, next two years certainly.

Pranoy Kurian: So you do not see any growth from new clients or new molecules in Specialty Chemicals over FY'19 or '20?

Venkat Jasti: 2021 we expect that to happen.

Pranoy Kurian: So FY'19 & '20 is more dependent on the current **scenario**

Venkat Jasti: Yes.

Pranoy Kurian: The split for royalty revenue, I think you have some small amount?

Venkat Jasti: Yes, small amount this quarter, we have about Rs. 2.5 crore.

Pranoy Kurian: For the year that would be?

Venkat Jasti: Rs.10.5 crore.

Moderator: Thank you. We will take the next question from the line of Rohan Advant from Multi-Act. Please go ahead.

Rohan Advant: Is there any one-time incentive that we have received this quarter, I think it was 60 million in the last quarter?

Venkat Jasti: No, it is all supply-based.

Moderator: Thank you. We will take the next question from the line of Ritika Jalan from Narnolia Securities. Please go ahead.

Ritika Jalan: Just I want to understand view on the margins. Will they sustain over the year or will be increase or decrease going forward?

Venkat Jasti: What we have mentioned and what we keep saying is the margins will be (+30%) EBITDA margins plus 20% net margins, that is what we are comfortable with but most of the time we surpassed that because of the good product mix and positive outcomes of the data that comes out of our innovators. So we cannot say that I can continue to have the same kind of margins but this is what we can commit to guarantee around (+30%) EBITDA margins.

Ritika Jalan: On the inventory side, we have seen that it has been increased, which is mostly because of the Specialty Chemicals or some other reasons?

Venkatraman Sunder: What happens is like there will some build up QoQ. Right now the buildup is close to 81-days, average we can always say average is about 60-70 days, and it could be 10-days more; because sometimes the stocking up happens based on the projects. There is no specific reason for that, it happens [in quarters].

Ritika Jalan: So you will take the write-off?

Venkat Jasti: There is no question of a write-off. There is the time which should be ready between the ordering and supply because if they want supply for a certain period, I may not be able to make it all that in one go. So I have to do it ahead of time and keep it.

Ritika Jalan: in terms of tax rate, how do you look at the next two years?

Venkatraman Sunder: Tax liability is more or less remains same as we have come to the peak level, about (+30%) and unless there is some kind of concession that come from the budget [which may come], we expect this will remain the same.

Moderator: Thank you. We will take the next question from the line of Ranveer Singh from Systematix. Please go ahead.

Ranveer Singh: First of all, could you repeat the quarterly revenue breakup?

Venkatraman Sunder: For this quarter total CRAMS is Rs.123 crore which includes Rs.54 crore of pre-commercial and commercial and Rs.72 crore is the Specialty Chemicals and then Rs.12.64 crore is contract technical services.

Ranveer Singh: Secondly, on this ANDA front, have you disclosed the name of partners who will market our product?

Venkat Jasti: Not yet.

Ranveer Singh: In commercial space, fourth product that you talked about was related to Women Healthcare, is that what you said?

Venkat Jasti: Yes.

Ranveer Singh: This product is not in a market yet?

Venkat Jasti: Correct.

Ranveer Singh: Earlier we said that probably 8-10 ANDAs we are working with and yearly two to three ANDAs we will be filing. So most of this ANDAs is related to that neuroscience or we have diverse?

Venkat Jasti: When it comes to the ANDA, it has nothing to do with the neuroscience, even in the CRAMS business also it has nothing to do with neuroscience, these are all opportunities based and niche molecules where not many people are interested, volumes are less and some specialty is there where we need to give a little bit value addition either by backward integration of small and high value molecules; totally it is a small volume based, so there is not many people who will be competing with us.

Ranveer Singh: Two reasons which I see that may have wide competition, either we have science or the technological barrier or the market itself is not attractive enough for big players to come in?

Venkat Jasti: Yes, that is one reason big players would not come in when it is not a big volume business, but there are technological advantages, as I was telling you, where we bring in, that also gives you better opportunities, [and] that barrier is also taken into consideration.

Ranveer Singh: Have you given margin guidance also for FY'19 or in this year if we exclude this commercial quantity supplies related revenue, then what should we have in the margins, so base margin I wanted to understand?

Venkat Jasti: Always it will be around (+30%) EBITDA margin.

Ranveer Singh: So will that sustain?

Venkat Jasti: Yes, that will sustain, it is a combination of CRAMS and Specialty Chemicals, put together.

Ranveer Singh: We talked about some agrochemical projects we were working with in Specialty Chemicals segment. Is there any visibility on it. When we see new products coming in from that side?

Venkat Jasti: I have already talked about that in the beginning; it will be during the year 2021 which is when we will start servicing this opportunity.

Ranveer Singh: The kind of revenue we expect or some market size or something, any color on it?

Venkat Jasti: We cannot [at present] because in the R&D stage we are in, we have not got much. There [we expect] is good volume with better margins.

Moderator: Thank you. We will take the next question from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: My question pertains to the CRAMS business. Out of Rs.123 crore, how much has been commercial supply?

Venkatraman Sunder: Rs.54 crore.

Charulata Gaidhani: You expect this to continue?

Venkatraman Sunder: Not expected to continue. during this year it will be around Rs. 90 crore as we are expecting repeat orders [for other commercial products].

Charulata Gaidhani: That has given the traction in margins?

Venkat Jasti: Yes, that is one of the reasons too.

Charulata Gaidhani: So then going forward do you not think the margin will expand?

Venkat Jasti: I can tell that based on some presumptions but the only thing what I can commit to you is roughly (+30%) EBITDA margins will be continued in the product mix that is what we are expecting and always possibility to be additional also but we cannot commit more than that.

Charulata Gaidhani: In case of Specialty Chemicals, Rs.72 crore would go up to how much?

Venkat Jasti: If you see the whole year it is only, Rs.154 crore and guidance from our customer is it will continue for the next two years in a similar fashion.

Charulata Gaidhani: Around same levels?

Venkat Jasti: Yes.

Charulata Gaidhani: Then in terms of the filing so far, how many ANDAs have you filed?

Venkat Jasti: We have filed about four ANDAs; two are ours and two is for the customer.

Charulata Gaidhani: So for the months which are your own and which are your customers.

Venkat Jasti: No, we have already marketed one, the second one we have a partner in place but the approval has to come.

Charulata Gaidhani: When do you expect that to come?

Venkat Jasti: Hopefully before the end of the year.

Charulata Gaidhani: What is the ANDA?

Venkat Jasti: We have not disclosed this yet but we will disclose when the approval comes in.

Moderator: Thank you. We will take the next question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Just to understand the difference between consolidated R&D spends and standalone R&D spends of about Rs.30 crore for the year, that is directly related to that 502?

Venkatraman Sunder: Correct.

Dheeresh Pathak: So this year the difference is about Rs.32 crore, last year it was I think, another Rs.30-32 crore, so this is related to Phase-2 trial?

Venkatraman Sunder: That is correct.

Dheeresh Pathak: Cumulatively, how much are you saying you spent on Phase-2?

Venkatraman Sunder: Since 2015 we have spent about $14.95 million on SUVN-502.

Dheeresh Pathak: So the standalone R&D which is Rs.60 crore that goes where?

Venkatraman Sunder: That is for our all other molecules where up to Phase-1 including preclinical, toxicology studies.

Venkat Jasti: Early innovation up to Phase-1.

Dheeresh Pathak: Next year your guidance is that you will spend $10 million?

Venkat Jasti: Yes.

Dheeresh Pathak: So we will have like Rs. 65 crore and Rs. 60 crore, so our cumulatively consol R&D would be north of Rs.120 crore in next year?

Venkatraman Sunder: This [Suven] will be around $10 million approximately, that [Suven Inc] is going to be another $5 to $8 million depends on the progress of the trial.

Moderator: Thank you. We will take the next question from the line of Hareesha Kakkera from B&K Securities. Please go ahead.

Hareesha Kakkera: Just missed out on the CAPEX part. Can you just repeat it?

Venkat Jasti: We have earlier CAPEX of Rs.120 crore for a block in Pashamylaram which is under construction, 50% amount already spent, 50% will be spent this year. With respect to the two more new things which we are planning for this year, which will run for 18-months, operations block for manufacturing ANDA based product about Rs.75 crore will be invested and similarly a new block will be constructed in the Vizag (Rs. 75 crores]. With this Rs.150 crore which will be spent in 18-months.

Hareesha Kakkera: So Rs.150 crore is the additional CAPEX that you are guiding for?

Venkat Jasti: Yes.

Moderator: Thank you. We will take the next question from the line of BV Bajaj from Bajaj Shares & Securities. Please go ahead.

BV Bajaj: Sir, about this Unit-IV Vizag, what is the contribution of API along with Unit-III and II?

Venkat Jasti: There is no API, it is only making Specialty Chemicals there, that is Rs.150 crore turnover, that is all.

BV Bajaj: So, you have got all the approval for that Specialty Chemicals in Vizag Unit-IV?

Venkatraman Sunder: Yes, right now it is for Specialty Chemicals.

BV Bajaj: Sir, this is a question to Mr. Sunder, so in 502 which was started for trial for Phase-2 somewhere in the end 2013.

Venkaraman Sunder: In 2015 December we commenced the clinical trial for Phase-2.

BV Bajaj: Yes, correct, and 2013 two trials started. You have put in 2019-20 second quarter, do you not feel it is taking too much time because of the cost involved in this clinical trial?

Venkat Jasti: What you do not understand is we are not slowing down because I do not have money or anything like that, you know we have money. This is to get the right patients enrolled, we need to enroll about 537 patients, it is taking time because it is specific for moderate Alzheimer's disease. Since people have to be on certain criteria, and it takes time. Originally, they were talking about 24-months trial but looks like it is going to go up to 42-months. That is the norm especially for dementias.

BV Bajaj: Venkat, if you go through the last concall also, it was very much expected that '18-19 financial first quarter or second quarter it will be through, but again it has been extended by about one year. Why?

Venkat Jasti: I do not think you heard me properly; the last patient is supposed to be this year by September, from there seven months trial go through, after that two months, the second quarter of next year is supposed to be what we are expecting the data to come out.

Venkatraman Sunder: That is the same information what we have presented in the last conference call also.

BV Bajaj: So this year FY'19 revenues, are you expecting that it may cross Rs.800 crore?

Venkat Jasti: No, I am not telling you anything like that, we are only telling you that the core CRAMS, the growth will be around 10-15%, that is all.

BV Bajaj: About debt-to-equity reduction on the total SUVEN part?

Venkat Jasti: It is a zero-debt company.

Venkatraman Sunder: As of now it is only for working capital loan, there was small term loan of a very small amount, other than that nothing here.

Moderator: Thank you. We will take the next question from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.

Rashmi Sancheti: Again, a clarification on the R&D expenses. You budgeted $25 million for SUVN-502 and we have done around $15 million, so another $10 million on SUVN-502 we will do it in this particular year itself, right?

Venkat Jasti: No, it will move into the first quarter of next year also.

Rashmi Sancheti: But 70% would be done in this particular year only?

Venkatraman Sunder: Funds will be deployed based on the progress of the trial. The enrollment, that is going to be completed this year [around September 2018]; this does not mean the patient is going to be out by March 2019 actually. So the patients are going to be continuing the trial. Oour payment with the CRO, our payment to the investigators, payment for logistics and all those things are partly before the next year and will carry into'19-20. So we cannot say exactly that entire $10 million will be spent in this year actually, it could be about some $5-7 million or $8 million possibly this year, yes, majority of the chunk of the cost is going to be within this year.

Rashmi Sancheti: Once SUVN-502, the studies and everything comes out, then do you think that this R&D expense will taper off because your standalone is just around Rs.60 crore ?

Venkat Jasti: No, ma'am. Actually, before the end of the year, we would not start another Phase-2 trial for G3031 which is the Narcolepsy sleep disorder and that is costing $10-12 million, that will start in FY'19 onwards.

Venkatraman Sunder: Start means possibly the initiation of clinical trial will happen before end of this year, most of the regular clinical activities will start in the next financial year which is FY'20.

Rashmi Sancheti: If I consolidate everything, then from Rs.90 crore in this year whatever that R&D expenses, that can go up to Rs.110-115 crore in FY'19?

Venkatraman Sunder: Approximately.

Rashmi Sancheti: In FY'20 it will again go up only, it would not taper off?

Venkat Jasti: It will come down , 1.2 and 502 will come down and this will add up.

Venkatraman Sunder: The specific cost of G3031 will be there which could be maybe, I do not know to even guess, possibly $5 million to $6 million we budget for the next year you can expect on SUVN-G3031.

Rashmi Sancheti: SUVN-G3031, when the phase-2 trial starts, whatever R&D we are doing, that will be done from the US subsidiary only?

Venkat Jasti: Up to Phase-1, it is in the Indian entity; only from Phase-2 onwards it will go to US subsidiary.

Venkatraman Sunder: You are right, it will be in Phase-2 in [Suven] US subsidiary.

Moderator: Thank you. We will take the next question from the line of C Srihari from PCS Securities. Please go ahead.

C Srihari: Just to confirm the numbers, firstly, you said Custom Synthesis accounted for Rs.295 crore this FY'18?

Venkat Jasti: Yes.

C Srihari: What was the corresponding figure for fiscal '17?

Venkat Jasti: Rs.227 crore.

C Srihari: When it comes to core R&D, ex-NCE development which was around Rs.60 crore, what is the forecast for the current fiscal?

Venkatraman Sunder: It remains same more or less.

C Srihari: The cumulative figure is around Rs.115 crore?

Venkat Jasti: Yes, roughly.

Moderator: Thank you. We will take the next question from the line of Amit Tauji from AB Taugi & Associates. Please go ahead.

Amit Tauji: I would like to know where we will be doing the CAPEX of Rs.150 crore in next 18-months, will we be taking some loan for that?

Venkat Jasti: No.

Amit Tauji: It will be internal accrual?

Venkat Jasti: Yes, sir.

Amit Tauji: Then, whether we are getting any offers for the SUVN-502 partnership or venture, anything like that?

Venkat Jasti: Nothing will happen until you have positive data on Phase-2. The data will come out in the second quarter of next year, then only we will know.

Amit Tauji: Third thing is any guidance on the bottom line for the next year?

Venkat Jasti: Not having visibility for the full year, we cannot give guidance except that the growth will happen around 10-15% and the core CRAMS.

Amit Tauji: Sir, I do not have any doubt, but one question is in my mind that the US FDA observations were reported to the exchanges earlier?

Venkat Jasti: We never reported any observations anytime, that is our policy, and if it hits yes, we will inform, but otherwise since 2000 it is happening, and we never informed anything. Informaiton only when EIR came, then we inform, and the observations came and we answered immediately with the EIR also came, no action, nothing [serious].

Amit Tauji: Was it the thing only done by the pharma segments?

Venkat Jasti: If it is something, it is like a warning letter

Venkatraman Sunder: If it impacts anything, yes, obviously we need to inform.

Venkat Jasti: Otherwise it is a day in, day out observations.

Moderator: Thank you. We will take the next question from the line of Ravi Mehta from Deep Financial. Please go ahead.

Ravi Mehta: Just one thing on the CAPEX, you said the Rs.120 crore CAPEX you have already spent 50% and the balance sheet 50% will be spent in this year?

Venkat Jasti: Yes.

Ravi Mehta: Apart from that, there is an additional CAPEX of Rs.150 crore?

Venkat Jasti: This is planned for, not yet started.

Ravi Mehta: So in case if it is finalized, you will be spending part in this year or it will come…?

Venkat Jasti: Partly this year and partly next year.

Ravi Mehta: What would that be for?

Venkat Jasti: One is the formulations, our manufacturing facility because we are filing the ANDAs, hoping that will lead venture into commercialization soon, so we need to be prepared now, so that is one part of it. Additionally, in Vizag, we want to put one additional block, that is also as a proactive measure because it takes 18-24-months to get a block in place. If we get an opportunity for additional business, we need to be prepared.

Ravi Mehta: By when can we see this coming up if once finalized – 18 months?

Venkat Jasti: Roughly.

Moderator: Thank you. We will take the next question from the line of Cyndrella Carvalho from Dolat Capital. Please go ahead.

Cyndrella Carvalho: Just one small clarification; so we said approximately 10-15% growth on overall revenues, right of this FY'18?

Venkat Jasti: Core CRAMS.

Moderator: Thank you. We will take the next question from the line of Satish Bhatt from Anvil Share and Stock Broking. Please go ahead.

Satish Bhatt: Sir, just wanted to know about the timeline for the new molecule which is going to Phase-2 G3031, how much time it would take to enroll the patients and do the entire clinical trials and how our drug is different from existing drug like Modafinil and Xyrem which are there in the market, if you can throw some light on that?

Venkat Jasti: This is a new concept and new mode of action and as drug is already working out slowly but ours would be a best follower and this is H3 inverse agonist and our timeline which takes 3-years roughly to 3.5-years, within 24-months from the date it will be coming out.

Satish Bhatt: Sir what is the size of this drug which are there in the market, if you can just throw some light on that?

Venkat Jasti: This is an unmet medical need actually and size it is difficult to estimate at this time, but around a million dollars.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Venkat Jasti: Thank you, everyone for tuning in. As you could see the difficulty for us in giving you the guidance for the long-term, but at the same time we are very confident that things will go smoothly and hopefully the molecules in development will give us good results within the next 12-15-months and we continue to perform the way with the commitments which we have given and hopefully with the positive outcomes on the clinical trials by our innovators and resulting into a commercial launch change from phase-to-phase will give us a better opportunity. All in all, things are moving very well, and the traction is very good with respect to the customers stickiness and moving up the projects and we hope to do better with the additional opportunities that will come in the years to come like the ANDAs and Specialty Chemicals and all these new activities which we are working out and by making a new block for the new requirements for the customers should give us additional **topline and** bottomline growth. Thank you for tuning in and hope to talk to you next three months from now.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Suven Life Sciences, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.