



ANUH PHARMA LTD.

Registered Office : 3-A, Shivsagar Estate, North Wing,
Dr. Annie Besant Road, Worli, **MUMBAI** - 400 018. **INDIA.**
Tel. : +91-22-6622 7575 • **Fax :** +91-22-6622 7600 / 7500
E-Mail : anuh@sk1932.com • **CIN:** L24230MH1960PLC011586

12th August, 2021

To,
Dept. of Corporate Services/
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Fort, Mumbai - 400 001

Ref: Scrip Code No. 506260

Sub: Transcript of Earnings Audio Conference Call

Dear Sir,

Please find attached herewith the Transcript of Earnings Audio Conference Call held on 10th August, 2021 at 4.30 PM wherein Financial Performance for Quarter ended 30th June, 2021 was discussed.

We request you to kindly take the same on record and acknowledge its receipt.

Thanking you,

Yours faithfully,

For **Anuh Pharma Limited**

A. S. Ambrale

Ashwini Ambrale
Company Secretary & Compliance Officer
(Membership No.: A32456)



Encl: As above

Anuh Pharma Limited
Conference call
(August 10, 2021)

Moderator: Ladies and gentlemen, Good evening to all. Welcome to the Earnings Call of Anuh Pharma Limited organized by Latin Manharlal Securities Private Limited to discuss the financial performance for quarter ended 30th June 2021. We will start the call with all participant lines in the listen-only-mode. There will be an opportunity to ask questions at the end of today's call. If you need assistance during the conference please signal an operator by pressing "*" and "0" on your phone. Now I shall hand over the call to Mr. Bhavin Shah from Latin Manharlal Securities Private Limited. Thank you and over to you, sir.

Bhavin Shah: Thank you. Good evening everybody. I hope everyone is sound and safe and I am sure lot of things are relieving over our head with new relaxations coming. So, certainly a big mental relief the rest I think we are back with the quarter earnings of Anuh Pharma Limited. I first of all thank the management of Anuh Pharma Limited for sparing time to address the investors and address their concerns and queries and highlight the performance. I think broadly what we have observed is the company has been able to report consistent set of results accordance with the guidelines in the preceding quarters. I think let us hear them out and I will hand it over to Mr. Mr. Bipin Shah the Vice Chairman from Anuh Pharma Limited and we have his team Mr. Ritesh Shah as the Joint MD from Mr. Darshan Rampariya – the CFO. Over to you sir.

Bipin Shah: Good afternoon my esteemed shareholders. I really thank you for the trust shown and bestowed upon Anuh Pharma Limited. A little in the history the company has completed 32 years of its productive operations. You will be pleased to know that we have been a dividend paying company since more than 25 years consistently without fail, ranging from 30% to 230%. We have also been fortunate that we have been able to give bonus shares approximately at every five years. When we look back the bonus shares were given in 1999, 2006, 2010, 2015 and 2020 and the range of bonus given was three shares against one or one share against one.

You will also be pleased to know that before 32 years the company started with a capital of Rs. 8 lakhs and today it has a reserve of more than 170 crores. I am grateful to share with you that Anuh Pharma Limited has achieved a topline of 117.27 crores in April to June 2021 quarter that is the first quarter of the current financial year. For EBITDA margin for the current quarter is Rs. 10.49 crores compared to 5.26 crores in the quarter ended 31st March 2021. The profit before tax is Rs. 7.11 crores which is better than the last quarter that is the quarter ending 31st March 2021 which was at Rs. 1.66 crores. During the last quarter the sales of Gliclazide, Ambroxol, Azithromycin and Sulfadoxine was good including the pending order status as of 1st July 2021. However, the sales proposal all products like Erythromycin and Pyrazinamide which is anti TB suffer some more due to Corona. Preferably we noted that the quarter after quarter we are improving our top line and bottom line and we are confident to reach our targets and for current financial year 2022. You will be pleased to know that the revenue increase is of Rs. 20.48 crores in the current quarter compared with previous quarter which ended on 31st March 2021. The EBITDA increase is by Rs. 4.65 crores compared with the previous quarter which ended on 31st March 2021. A profit before tax has increased by Rs. 5.45 crore compared with previous quarter which ended on 31st March 2021.

Friends, please note that we are temporarily facing some delays and shortage in procurement of one of the intermediate from China. However, we are making alternative arrangements for procuring this intermediate from local companies and this project is likely to be completed in next two to three months. The main purpose of developing this intermediate locally is to become self reliant and not to suffer any sales for the want of intermediate. The contribution from new

products that is Gliclazide, Ambroxol, Sulfadoxine and Erythromycin in 44.28% to the total sales viz-a-viz last year first quarter of 28.52%.

Similarly the conventional products like Erythromycin, Chloramphenicol and Pyrazinamide contributed 42% of the total sales in the Q1 of FY22 vis-a-vis 60.30% of Q1 of FY2020. We have also observed improvement in the sale of Pyrazinamide and Erythromycin in the second quarter which started on 1st July 2021. The order book position as on 1st July 2021 is 90 crore and we are confident we will be able to achieve our top line and bottom-line targets fixed for financial year 2022. We are also making best efforts to introduce new products for end of the current financial year. Our new plant has already received steady state. As of now there is no capacity constraint. The capacity utilization of the newly installed E18 block of 600 tons per annum capacity is 60% for the Quarter 1 2022 and the capacity utilization of E17 the old block is 78% of Q1 2021-22 and when you take a consolidated, combined capacity utilization of E17 and E18 together is 71%.

Friend we also hope to see you at our Annual General Meeting on 19th August which of course will be through video conferencing at 11 AM. Let us little look at the future outlook. We are pleased to inform that we are regularly getting all raw materials except one for which we are trying to develop and make it available through a local source. Friends Anuh Pharma is back on track post COVID-19 lockdown. Advantages of new expansion facility as per our promise 30% growth on top line and 30% growth on bottom line for FY21 and average EBITDA margin was 12.46% for the year ended on 31st March 2021. You will be pleased to know that we are very safe because of our installations of zero liquid discharge plant which takes care of safety and our environmental concerns. Our manufacturing capacity is 1,200 metric tons per year after expansion and our ongoing capacity utilization is 71%.

We are pleased to say that we have lowest attrition rate compared to the industry rate. During the current financial year that is 2021-2022 we propose to invest additional 4 crores in CAPEX of course from internal accruals we will take our manufacturing capacity from 1,200 metric tons to 1,500 metric tons. Thank you very much friends and I now invite questions if any. Thank you so much.

Moderator: We will now begin the question and answer session. We have a question from Niteen Dharmawat from Aurum Capital. Please go ahead.

Niteen Dharmawat: Sir just one question that I had the last point you mentioned about 1,500 metric ton capacity that is after expansion and by when are you planning this expansion and how much investment you are making for this?

Bipin Shah: The investment will be around 4 crores because everything is ready we have to only add on a few equipment and machinery and we hope or propose to complete it by 31st March 2022.

Moderator: Thank you. We have a next question from Sunny Ahuja.

Sunny Ahuja: So we were talking about the top line and bottom line growing by 30% this year, so if I am not wrong we have done close to 430 crores last year, so are we looking at approximately say between 550 to 575 crores this year that is the first question also just wanted to understand the impact on Q2 sales due to the raw material disruption from China and one final question what percentage of sales are we seeing from the US say by 2025?

Bipin Shah: Your first question is that are we looking at again 30% growth as per what projections we have made we should be between 480 crores to 500 crores top line 2022. The second question was whether in Q2 we will have any effect on the availability of raw material from China. We expect that within next one or two months since we will be developing a local source only for one of the raw material because for the rest of all raw material we do not have any difficulty so we do not see a big effect on the Q2 about the non availability and delayed

availability of raw material that is by 2025 you are asking what kind of proportion we will be exporting to USA in view of our US FDA accreditation that is it is too early to say, but a rough guess would be at least 10% of our top line.

Moderator: Thank you. We have a next question from Mr. Saurav Agarwal. Please go ahead.

Saurav Agarwal: I would like to ask that how much percentage of sales were from the regulated market and how many products do we have which have US FDA approval or the European approval?

Ritesh Shah: Currently our regulated market sales is around 20% to 25% and we have a EU GMP and WHO Geneva prequalification for our Erythromycin Base, Erythromycin Ethyl succinate, Ambroxol hydrochloride, Pyrazinamide, Sulfadoxine, Pyrimethamine. We have applied also for Azithromycin and Isoniazid. Our entire site is approved for US FDA the inspection was done in 2019.

Saurav Agarwal: So currently do we have any US FDA approval?

Ritesh Shah: See we are selling our products to USA for compounding business right now and also we are giving a lot of intermediates to the other API companies for their US supply.

Saurav Agarwal: I would like to ask that are we planning to invest for Crams or go for Crams business contract manufacturing?

Ritesh Shah: At this stage we do not have any plans for the Crams business.

Saurav Agarwal: But we have some unused capacity in every quarter there is some unused capacity like current is also 71%, so it could be of some use if we go to the Crams like why we are not planning about it just wanted to ask that?

Ritesh Shah: We have our own new two, three products coming up and we are also seeing a increase in our demand for our products. I believe which will utilize our own capacity and we would like to add that two to three products every year for our own capacity utilization. Of course if our customers gives us the project for CRO and CMO we are already open for it and we are working on it.

Moderator: Thank you. We have a next question from Mr. Hitesh Kumar. Please go ahead.

Hitesh Kumar: Could you just help us understand how should we look at the gross margins because the whole objective of setting up this new plant was to get into the regulated markets and also to be able to manufacture some new products where we had capacity constraint in the existing plans, so I think 2019 is when we already had commission this plant, we had all the approval, but then if you look at the gross margin they have only deteriorated in the last three, four quarters wherein FY20 Q4 and FY21 Q1, so your current gross margins are way below what you have historically been doing so I mean how do we look at these gross margins landing from here on what will drive these gross margins if you can elaborate that in detail it will be helpful for everyone?

Bipin Shah: We always had a capacity constraint that starting 2015 going up to December 2019 when we inaugurated and commissioned the new plant. Secondly as far your clarity on margin is concerned the ideal margin has to be if we talk of EBITDA margin, has to be anything between 13% to 15% and PBT basis profit before tax margins has to be between 8% to 10% depending on how many tons you sell in the regulatory market, the more you sell in the regulatory market the percentage will have a tendency to go up.

Hitesh Kumar: Sir this EBITDA margin of 13%, 15% we have never done that I mean you hope you all taking out the other income and then looking at the EBITDA margin so those margins were never there historically also, so are the new products that you are targeting how well are you placed with regard to pricing those products vis-a-vis the competition there?

Bipin Shah: See if you look at even the EBITDA margin of April 20 to March 21 that is the year ended on 31st March 31. The EBITDA margin there is also approximately 12.76%.

Hitesh Kumar: If you are including the other income there I mean the other income has component of your cash where you make a treasury gains as well so I think the better way to look at is the gross margins because that is the simple output minus the input, so I think all the product development that you do will have a impact first on the gross margin level because at the other levels you will have your marketing spends, you will have product development spends and all that so the gross margins if I look at historically you were trading between 24% to 26% gross margin. Now this gross margin in the last three quarters has been some 20% despite you coming up with new products where you are seeing a higher traction you have in America contribution also now in your slide which you did not have earlier, but the gross margins are some 20% as against 24%, 25% which are historically been doing in the last four, five years?

Bipin Shah: See the new product launch like Gliclazide is giving us the contribution right now at about 15% and we expect the new product sells to continuously give higher gross margins and once the demand for our main conventional product Erythromycin increases we expect the gross margins as well as EBITDA to go above the current target level.

Hitesh Kumar: But what is the reason for this lower margins in the last three quarter what is the real reason there, is it the raw material challenges or is it some particular product where you had a lower mix vis-a-vis historical as you know something?

Bipin Shah: I think the major reason was Corona related to lockdowns in Europe and US which also affected the demand supply, but I think that changes are happening from this quarter and we will be able to see that performance is improving continuously in quarter-to-quarter as we mentioned in our opening speech.

Hitesh Kumar: So Q2, Q3, Q4 at least the gross margins should get back to the levels where we were historically 24% to 27% this kind of level other is on 19% which is on Q1?

Bipin Shah: It is what is expected once the resumption in the worldwide comes because the Corona the demand was up, down especially of non COVID products. So, now in this quarter we have seen in lot of countries the non COVID products have started moving up again so we should expect this to coming back very soon.

Hitesh Kumar: Just lastly which are these non COVID products if I name them which will probably drive what the volumes?

Ritesh Shah: Our Pyrazinamide is a anti TB product and some of the Erythromycin salts like Erythromycin Ethylsuccinate is a pediatric product, Erythromycin 11,12-Carbonate which we export to China is a pediatric product all this had a reduction in demand because of the lockdown.

Moderator: Thank you. We have a next question from Mr. Sunny Ahuja. Please go ahead.

Sunny Ahuja: Actually just wanted an update on the NSE listing which I think you had guided for 9 months around I think 7 or 8 months back, so are we looking to close that anytime soon and then there is another question I guess the previous participant also mentioned that the gross margins were down and I have been tracking the balance sheet as income statement for quite some time and seems like the raw material cost have definitely been on the higher side, so any

plans on bringing those raw material cost under control and lastly there is a question on Azithromycin where you had mentioned that you were planning on producing it from a earlier stage where the margins would scale up, so if you could just throw some color on where you have reached in terms of that backward integration in terms of Azithromycin?

Bipin Shah: First of all you have a question on NSE listing we hope to close it within next three to six months. Regarding the raw material cost continuously going high. So the right explanation is when we sale any final product to regulatory market then the raw material cost should be anything between 65% to 70%, but when we sell to non reg market the realization of the sales price is lower compared to a regularity market. So there the raw material goes from 75 going up to maybe 81%, 82%. Third thing about Azithromycin in Azithromycin it is directly imported from China in form of Azithromycin only and the best solution to this is that we require government for which a lot of efforts are being done to introduce anti-dumping duty on Azithromycin because whatever Azithromycin comes to India assuming that it comes at \$100 where \$13 is the cash compensatory support given to the Chinese manufacturers by the Chinese government. So even if they export \$100 what they get is \$113 and the third thing is that in India we are also making from N-1 that is Azithromycin amine. But if you go further then we will have to again depend on Chinese TIOC. So probably the first based solution is that introduction of anti-dumping duty by Indian government on the Azithromycin which is coming from China. This is the best explanation that I can give.

Sunny Ahuja: Just to follow up on that you have mentioned something where you said that you would be looking to do to make Azithromycin from maybe a more nascent stage in terms of some kind of backward integration correct me if I am wrong, but I think you had mentioned something on those lines and that is the point I was trying to just check with you whether we have been able to achieve that?

Bipin Shah: We have already developed Azithromycin from Erythromycin thiocyanate at our R&D lab we are in close contact with end user who is willing to buy and we will take the commercial validation from them and our commercial agreement is close to confirmed with them and they are going to sell the tablets in the regulated market for Europe and US. So, this is one opportunity that is coming and we are very close to finishing that.

Moderator: Thank you. We have a question from Mr. Kaushal Vora. Please go ahead.

Kaushal Vora: So can we expect a similar growth in Q2, Q3, Q4?

Bipin Shah: Yes we have already mentioned in the opening speech further growth is expected especially from our conventional product on Erythromycin and Pyrazinamide. We are seeing as we said we are having a current order book of 90 crores and the balance related to raw material is being resolved. We definitely expect similar growth rate continued in the Q3 and Q2.

Kaushal Vora: One more thing which I wanted to confirm that margins were set for the full year is between 13% to 15% EBITDA margin is it right?

Bipin Shah: EBITDA we are talking.

Kaushal Vora: Is it right EBITDA 13% to 15%?

Bipin Shah: Revenue you have set for FY22 is between 480 to 500 crores.

Kaushal Vora: So if the demand comes up then we can expect a more revenue going ahead if you can complete one of the commercial project which you have said in the last statement that we are in the close to complete that order once you get we can expect a more revenue in this financial year?

Bipin Shah: Yes.

Moderator: Thank you. Next in line Mr. Bal Patel. Please go ahead.

Bal Patel: You mentioned that you are trying to integrate on backward side so that you do not have to depend on Chinese imports I just wanted to know what is your spending in R&D and how many doctorates are there in your company?

Bipin Shah: R&D anything from 300 to 325 lakhs per year. We have a total staff of 22 scientific chemists including three doctorate.

Moderator: Thank you. We have a question from Sunny Ahuja. Please go ahead.

Sunny Ahuja: Also I just wanted to understand whether the company is contemplating any kind of inorganic expansion I know that we have obviously come up with a new regulated facility which is going to add further growth, but looking at the opportunity and also I think the different kind of companies that are coming up with a lot of novel products now in India where India is obviously trying to compete with China, so any kind of inorganic expansion opportunities you guys are looking at and also from the point of view I believe that you had mentioned about everything is located at one particular site right now so also from the point of view of diversification and not having a single location concentration risk, so are you guys contemplating any such opportunities?

Ritesh Shah: Both the points you yourself have mentioned inorganic expansion we are definitely looking for provided we get a right candidate. Secondly, you only mentioned that as abundant precaution it is better to have two sites so that your total dependence should not be on one side. So we are looking for a right candidate practically every month we get one or two proposals, but the moment we get right candidate we would welcome.

Moderator: Thank you. We have a next question from Mr. Sourav Agarwal. Please go ahead.

Sourav Agarwal: Like in one conference call we mentioned that Azithromycin sale we will be able to compete with China we will be able to give our cost lesser than China, so is that happening right now?

Bipin Shah: At present making from N-1 while we are able to compete with China, but the price difference is still only 3% to 5% that means we are 3% to 5% cheaper in manufacturing compared to China because we are making from N-1 which is imported from China.

Sourav Agarwal: Like Azithromycin is we have tried backward integration so are we trying any other product?

Bipin Shah: Even one of the very important product which is a high margin item called Sulfadoxine which we are making from N minus 1 which shifted to N minus 3 now since more than one year and we are able to realize very good profit margin from Sulfadoxine plus we have a lot of exclusivity in this product.

Sourav Agarwal: Sir my last question would be that are we planning to enter into animal API structure?

Bipin Shah: One of our product again called Sulfadoxine is also used in Veterinary that is animal feed products and the world's two biggest company are totally buying from us.

Moderator: Thank you. We have a next question from Niteen Dharmawat. Please go ahead.

Niteen Dharmawat: Just couple of questions one is and I am assuming that we do not have debt on the books, just wanted to confirm it again from you that the consolidated is nil right?

Bipin Shah: Yes we are taking some pre shipment facility because it is available at only 3% or 3.1% interest, rest of it we are totally debt free company.

Niteen Dharmawat: And out of context just wanted to know if we have any IR firm also associated whom we can connect after this call?

Bipin Shah: No.

Moderator: Thank you. Since there are no questions I would read the disclaimer. This presentation may include certain forward looking statements based on current expectations within the meaning of applicable laws and regulations. Actual results may differ and the company does not guarantee realization of the statements. The company also disclaims any obligation to revise any forward looking statements. The readers may use their own judgment and are advised to make their own calculations before deciding on any matter based on the information given herein. No part of this presentation may be reproduced, quoted or circulated without prior it and approval from Anuh Pharma Limited. Sir we do have one question now should I take it.

Bipin Shah: Yes.

Moderator: We have a question from Hitesh Kumar. Please go ahead.

Hitesh Kumar: Sir you just mentioned that Sulfadoxine is a very high margin product for us I think it is a pretty old product because anything any development there that you have done in this particular product in the recent and hence that confidence that this should be a big product for us going forward?

Ritesh Shah: Yes see the Sulfadoxine product we have a WHO qualification, our DMF is registered in almost 27 countries in Europe as well as our we have a large contract with a end formulator who is also WHO pre-qualified and they have got a global fund order. So the order position of Sulfadoxine is very high. The challenge here is procurement of raw material which we are resolving in one or two months we are already identifying local source.

Hitesh Kumar: So this is the product where you have the raw material constraint which should probably get ironed out in two to three months.

Ritesh Shah: Yes.

Hitesh Kumar: And this Erythromycin steroid is continuous to be a mainstay product where we continue to have a dominance share right?

Ritesh Shah: Yes of course.

Hitesh Kumar: And sir just lastly when you say regulated market which are these countries that you are really referring to where you have a higher realization of this product US is one and within Europe which are these countries that you would be targeting?

Ritesh Shah: So we are already having a good business in France and Spain in Europe and we also have a WHO Geneva funding which is reg market, but the European manufactures sells to the African countries because the donor agencies are from Europe. So, these are the top creative market that we are catering to right now.

Hitesh Kumar: And these are the high margin markets for you right?

Ritesh Shah: Have I answered you clearly.

Moderator: Thank you. Sir there are no further questions any closing comments.

Bipin Shah: We appreciate the interest taken by our valued shareholders and 32 years a company started with a small cap of 8 lakhs. It is all because of the good wishes and the blessings of the shareholders we are here and we hope to grow further up. Thanks and our best wishes to all the shareholders.

Moderator: Thank you sir. Ladies and gentlemen this concludes your conference for today. We thank you for your participation and for using iJunxion Conference Service. You may please disconnect your lines now. Thank you and have a great evening.
