CSD/BSE&NSE/CC/2024-25
December 13, 2024

To
The Manager
Department of Corporate Services
BSE Limited
25th Floor, P. J. Towers,
Dalal Street, Mumbai - 400 001

Scrip Code: 543064

To
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Symbol: SUVENPHAR

Dear Sir/Madam,

Sub: Transcript of the conference call for acquisition of stake in NJ Bio, Inc.

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call for acquisition of stake in NJ Bio, Inc. conducted on December 09, 2024.

The above information has been uploaded on the Company's website at https://www.suvenpharm.com/financial-info/

This is for your information and record.

Thanking You,
Yours faithfully,
For **Suven Pharmaceuticals Limited**

KUNDAN KUMAR JHA
Digitally signed by KUNDAN KUMAR JHA
Date: 2024.12.13 18:51:58 +05'30'

Kundan Kumar Jha
Company Secretary, Compliance Officer and Head-Legal

Encl: as above

Suven Pharmaceuticals Limited

Investor/Analyst Conference Call Transcript
December 09, 2024

Moderator

Ladies and gentlemen, good day and welcome to the Investor and Analyst Conference Call of Suven Pharmaceuticals Limited.

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 Ms. Cyndrella Carvalho from Suven Pharmaceuticals Limited. Thank you and over to you.

Cyndrella Carvalho

Thank you. Good morning, everyone. Welcome to this special Suven Pharma Conference Call to discuss our strategic intent to acquire majority stake in NJ Bio Inc.

Join me today with me, our Executive Chairman - Mr. Vivek Sharma; our Managing Director – Dr. Prasada Raju; our CEO - Dr. Sudhir Singh and our CFO - Mr. Himanshu Agarwal. We will outline the transaction, its rationale and strategic value before opening the floor for Q&A.

I now invite our Chairman, Mr. Vivek Sharma to share his insight on this deal.

Vivek Sharma

Thank you, Cyndrella. Good morning, everyone. We are excited to announce Suven's intent to acquire NJ Bio, a leading antibody drug conjugate ADC company focused CRDMO based out of New Jersey, Princeton, New Jersey. This acquisition is aligned with our vision of being a global technology led CDMO with end-to-end capabilities in ADC development and position us uniquely to capitalize on the high growth ADC market. The acquisition also helped us expand the footprint in the US, the hub of ADC innovation.

Dr. Naresh Jain, the founder and CEO of NJ Bio is a very well renowned scientist and highly respected name in the ADC domain. A PhD from Boston University and a Post Doctoral Fellow at the Scripps Research Institute, Dr. Jain's career includes over a decade in senior R&D roles at J&J. He has also earlier founded The Chemical Research Solution, TCRS, an ADC focused CRO. Under his leadership, NJ Bio has rapidly grown into a US $32 million revenue company and has been a trusted partner to over 150 innovator customers including the small, mid and large pharmaceutical companies, Biotechs and CDMOs.

NJ Bio has served over 150 customers till date, actively working with 40-50 clients at any time and successfully delivered over 500 projects across the last 5 years of operation. NJ Bio has won several accolades including Best CRO in the prestigious World ADC Awards for 4 consecutive years that is from 2021-2024. We at Suven are very excited to partner with Dr. Jain and his team and welcome them to the Suven family. Dr. Jain's continued leadership as

CEO of NJ Bio ensures continuity and deep domain expertise for Suven's strategic vision. We are confident that partnership will significantly exuberate our journey to becoming a global leader in this fast-evolving space.

I will ask Dr. Prasada Raju to share his insights.

Prasada Raju Thank you, Vivek. Very good morning to all of you. A warm welcome to you.

We are very excited about the collaboration as it deepens our pioneering position in ADC and expands our capabilities and competencies in the emerging modalities. NJ Bio has built strong end-to-end ADC chemistry capabilities across payload-linker synthesis, bioconjugation and bioanalytical services, thus making it as one stop solution for the biosimilars. NJ Bio's ability is to provide expression conjugation services by leveraging its deep library of payload linkers has also been a strong value proposition. The integration of NJ Bio's capabilities with Suven Cohance brings unparallel synergies. NJ Bio's expertise in linker and bioconjugation technologies perfectly complements Suven leadership in payload chemistry and manufacturing at GMP level, together now provide a seamless solution from discovery to commercial manufacturing, creating a significant value to our existing and new customers.

Beyond ADC's, NJ Bio also offers superior capabilities in expanded drug conjugates and new modalities, including radioconjugates, oligonucleotide conjugation and mRNA technologies. These platforms broaden Suven's abilities to serve emerging modalities rapidly, gaining traction in the industry, making it one of the few CRDMOs within USA plus India footprint and presents across major new modalities like ADC, Nucleic acid chemistry and mRNA.

Capacity wise, the NJ Bio adds state-of-the-art R&D and GMP suits across its Princeton facility supported by a talented team of over 140 employees, including 100 plus scientists. The combined platform also gets a dual location advantage with an expansion of its foothold in the USA, the hub of antibody drug conjugates innovation globally. With minimal customer overlap, we see significant cross sell opportunities as well. His strategic transaction definitely enhances our differentiated technology platform, which is in line with our thesis of creating a technology led unique CDMO platform globally and ensures Suven continues to deliver exceptional value in niche and high growth markets.

With this, I would request Himanshu to take you through about the financial aspects of it. Thank you.

Himanshu Agarwal Thank you, Dr. Prasada. Let me walk you through the financial controls of this transaction.

Suven is acquiring a 56% stake at a pre-money equity value of approximately US $100 million valuing it at low to mid-teens EV/EBITDA for CY25. Dr. Naresh Jain will retain his stake in the company and will continue to lead NJ Bio in its next phase of growth, along with the senior leadership group and a skilled scientific workforce that he has brought together over the years.

Suven shall invest US $64.4 million through a combination of secondary acquisition as well as primary capital infusion. This includes US $49.4 million for buying out the existing minority shareholders other than Dr. Jain and his family. US $15 million as primary equity infusion that will be mainly used for future growth requirements that are the GMP expansion at the existing Princeton facility. Balance stake will be held by Dr. Jain and his family with a call and put option arrangement for Suven to acquire the balance stake after 5 years.

NJ Bio has scaled up rapidly in last few years and is expected to achieve in the 12 month ending December '24, a revenue of US $32 million reflecting a 70% CAGR in the last 4 years. The company has consistently invested for future growth including the recently setting up of a CGMP compliant manufacturing facility and also investments in R&D to develop novel technology platforms relating to ADC drug development. This transaction is executed in the midterm with operating leverage expected to drive significant EBITDA growth. As NJ Bio scales its GMP capabilities well supported by Suven and Cohance USFDA approved GMP capacities. The transaction is expected to close before the end of December, subject to regulatory approvals. Suven's strong balance sheet with a cash reserve of 6.5 billion as of September 24 positions us well to support the strategic investment.

Cyndrella Carvalho: Thank you, team. With this acquisition, Suven has taken a step forward in our journey to lead an end-to-end ADC space combining deep technology expertise with dual location advantage. We now open the floor for question and answers. Over to you, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take a first question from the line of Harith Ahamed from Avendus Spark. Please go ahead.

Harith Ahamed: So, I was just trying to understand NJ Bio's capabilities a little better, NJ's capabilities in linkers and bioconjugation, does NJ have capabilities in these areas at a commercial scale or late clinical scale? And if not, will NJ Invest to build capabilities at a commercial scale and or late clinical scale?

Dr. Prasada Raju: Just from an overall value chain standpoint, as you understand, at Suven, we are active on payloads at a commercial scale especially on Camptothecin based and Tubulin inhibitors. In ADC, there are two more important elements which are linker and bioconjugation with monoclonal antibody which we don't have a capability today. That is where NJ brings us the value addition. That is the first part of your question. Second part of your question, do they have abilities to manufacture at a commercial scale with GMP that has been the strategic intent and endeavor they have been doing it and as we are speaking, even in the current year also, they are able to create meaningful revenues out of GMP with the state-of-the-art manufacturing capability that they have . Having said that, as you understand along with the molecule, the manufacturing capacity has to be expanded together with Suven and NJ Bio, we should be able to help them to expand the manufacturing capacities also for future supplies in the GMP level as well. Otherwise, they do have footprint and capabilities available with them.

Harith Ahamed: And then my second question is related. The combined platform Suven plus NJ, what is missing in the overall ADC CDMO services, is monoclonal antibody manufacturing and fill finish capabilities? So, here again, the addressable market that you have shared excludes these two areas, which account for a large part of the overall ADC services market. So, how should we think about potential entry into these areas and any plans to kind of become a fully integrated player in the ADC services market?

Dr. Prasada Raju: To begin with we strongly believe in leveraging with our strengths. That is the reason we have not added the other two elements, and we feel there is enough market opportunity that we can unlock in mid-term to short-term both from abilities of manufacturing payloads and with an additional capability that we have gotten from NJ Bio with linker library coupled with bioconjugation. Over a period of time, if business makes sense to us, we might look at it, but in our current radar, we better to play with our strengths, hence we have not included that as well because there are better strong players who can do these activities outside of us.

Harith Ahamed: And last one with your permission, can you talk a bit about the competitive intensity in the ADC or broader XDC CRDMO space because one of your Indian peers have talked a lot about their integrated capabilities, we have seen how she has separated XDC and they are also talking about integrated capabilities. So, given the number of drug candidates in space are we also seeing a lot of competition or response from CRDMO players to add ADC capabilities and that kind of increasing the competitive intensity for players like Suven?

Dr. Prasada Raju: I can only say one thing. Probably, we might not be able to comment on somebody and on behalf of somebody. Having said that, how we differentiate ourselves when compared with any of the rivalries that you are trying to mention, with a deeper scientific capability, we have a synthetic surrogate of manufacturing under the GMP. That is a unique value proposition that we have. The number of payload linkers which are covered as a part of NJ Bio library is also one of the unique value proposition. You don't see so many companies outside of us. With these two, in fact the addressable market, it is related to your second question has actually got expanded by almost 5-7X higher than what it was when it is standalone Suven business of antibody drug conjugates. I think we feel we have enough headroom and an addressable market without a differentiation of supplying to the commercial products of commercially approved its GMP capabilities and coupled with the latest technologies that we are able to get it through NJ Bio we strongly feel we are well positioned to maintain same kind of a growth momentum for us.

Moderator: Thank you. We will take our next question from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: So, my question is, how important is it on the ADC side to be part of the molecule at an early stage, so between NJ Bio's early stage and commercial manufacturing capability that you plan to build, whilst both are important. Strategically from your perspective, what is more important? That is the first question? And the second is how important is it for you to have a US based manufacturing site from your client's perspective?

Dr. Prasada Raju: So, when we have looked at the current market, definitely every company wanted to see end-to-end solution. And as you understand, the body of the knowledge is built in the very early stage, which we are not so active right now. We are predominantly on the GMP manufacturing side of it. When we enter into the molecule along with the customer, we can have a seamless starting from early stage and we can follow the molecule till end of the commercialization. From that standpoint, these competencies organically, we might not be able to build in few years, hence, we have taken this route of acquiring these competencies. It is extremely important; the body of the knowledge will be expanded and it is definitely useful for us to follow through the molecule. The second point is, as you understand more than 280 plus active molecules, the current pipeline is more than 1000, the predominant research is happening in US. Obviously, there is an offshore presence and people wanted to have presence in US for their needs both from mid to large pharma companies that is where our US manufacturing facility and R&D will always be helpful for us. While we can strike a balance on the cost containment if at all there is any cost pressure comes in, we always have Indian operation when there is an innovation led and the time has to be the most critical component, our US manufacturing side will always be helpful to us. Specifically, from a platform technology led, the combination of both India and West will always be helpful from a customer standpoint. That is what we learned from our customers when we spoke in formally.

Moderator: Thank you. Next question is from the line of Girish Bakhru from OrbiMed. Please go ahead.

Girish Bakhru: Just wanted more split on this $32 million, is it more coming from linker or conjugation? Can you give some color on that?

Sudhir Singh: This is Sudhir Singh. So, the way it works that it is never differentiated between linker, how much of the revenue from linker, how much from a conjugation. When the project comes, there are two ways of doing projects in this NJ Bio. One is the discovery project. Discovery Project is mostly on a FTE based where the customer comes and deploy FTs and that is charged per FTE basis which includes payload, linker, conjugation, the whole process. Even in the development also, there is no distribution of revenue or how much is for linker. This is the bundle project. When customer comes, they come from a payload along with linker and conjugation. So, the whole revenue is counted as one point.

Girish Bakhru: Just as a combined entity, when we see with Suven taking deeper presence via CGMP, do you see overall this strategy to change from essentially like taking more fee based work to more manufacturing based work? Just wanted to get more sense on whether, the idea is to essentially do more of the chemistry or more manufacturing?

Sudhir Singh: Actually, the strategy doesn't change. As Prasada said in the beginning that when customer comes, customers come to you at a discovery level, and they want to see seamless progression of the molecule from discovery all the way to the clinical and commercial. Suven will complement NJ Bio in terms of back-end payload manufacturing and the same time NJ Bio will complement to our customer, let us say, we have customer whom we are supplying a payload and if they have a need in terms of linker and conjugation and that is where the NJ Bio can complement us. So, it is a win-win for the organization in terms of capabilities. As we said that we are strong in manufacturing payload, GMP manufacturing and NJ Bio is strong in linker and conjugation.

Girish Bakhru: And just broadly a very generic question, if you were to, let us say bifurcate cost of ADC manufacturing, how much is the linker toxin as part of the overall cost? Can you give a percentage?

Dr. Prasada Raju: It is hard to give, but majority stays with the payload and linker, bioconjugation is a smaller portion.

Girish Bakhru: When is the majority, the 20%-30% or higher than that?

Dr. Prasada Raju: No more than that.

Girish Bakhru: And just lastly, there are of course too many companies working in the warheads market while this 150 customers number is good, how do you see yourself stacking in terms of the extent of libraries that you mentioned and the technology with combined entity with peers, if you were to rank among yourself?

Himanshu Agarwal: So, as I think in the beginning, when Dr. Prasada said that that is where the NJ Bio has a unique value proposition, the number of new linkers, what they have, the library of the new linkers, what they have, that is a unique and some of the people who track this market, they will also understand that NJ Bio has a reputation, at least in the US market, that nobody else has. I heard about WuXi and others, but in terms of science, in terms of talent, in terms of capabilities, the promoter of NJ Bio, Dr. Naresh Jain, himself is a well-known scientist.

Moderator: Thank you. We will take our next question from the line of Ninad Sarpotdar from Aditya Birla Money. Please go ahead.

Ninad Sarpotdar: Previously, Suven had the capability for ADC, on Camptothecin based ADC particularly, so does this acquisition add anymore capabilities or any more families of ADC to your product basket?

Dr. Prasada Raju: So, this is predominantly, on the value chain progression which is linker and bioconjugation because Suven we have enough capabilities of abilities to manufacture payloads of Camptothecin and Auristatin at a commercial scale. So, this is more to do with progressing on the value chain towards linker and bioconjugation. And of course, to the previous question what Girish has asked for, while there are 150 customers, we have experienced in working for the last 4 years at NJ Bio, currently active customers are close to 40-45. The whole intent is even for NJ, for them to be able to travel to the various phases of the molecule till the commercialization, our facilities from India which is GMP and regulatory approved will also be adding value to it. Hence, we don't really look at any challenges there. In fact, that is the most exciting and complementary skill we have both from NJ Bio to Suven.

Ninad Sarpotdar: I just wanted to ask how are the margins looking for NJ Bio if you can give out the number?

Vivek Sharma: So, we had said that we have acquired this in the range of around mid-teens EV/EBITDA, so the multiple is around that. Our sense is that progressively the margins would be more closer to 20% plus. That is what our expectation of this business is.

Moderator: Thank you. Next question is from the line of Chirag Shah from Whitepine Investment Management. Please go ahead.

Chirag Shah: So, once you are able to consume the acquisition, regulatory processes, although it takes time, how should one look at ramp up and cost leverage? How much time will it take? Why I am asking this is, you mentioned there is minimal overlap of customers. So, if you can just share your initial thoughts on how do you look at ramp up qualitatively and product wise our cross leveraging?

Dr. Prasada Raju: Chirag, under cross leverage standpoint, we have been very active in communicating with our customers as our opinion is as soon as we complete the transaction in full, we should be able to co-position ourselves in front of our customers. Hence, it doesn't take too much time. From a cost leverage standpoint, of course, it takes time for us maybe anywhere between 1-2 years, but otherwise predominantly we are looking for customer level cost leverages because the competencies are unique and distinct between both the assets which would happen immediately.

Chirag Shah: And second is, this $15 million investment that you are making in NJ Bio, so can you just help us understand what are the primary drivers? It is more about capacity addition because more molecules are getting added or it is more about scale up for existing supplies that you are doing?

Dr. Prasada Raju: So, again, this question related to both Harith and Jatin has asked similar point. It is towards progress of the business, more importantly in the more number of projects and traction that we are able to see for GMP manufacturing, hence, this investment will be predominantly used for expansion of our GMP capabilities within US.

Chirag Shah: When you say expansion, what is the quantum of expansion? So, are you doubling the capacity that they have currently with this $15 million or what exactly when you say expansion?

Dr. Prasada Raju: It is not, I would say, in kiloliter or in metric ton it can be measured, it is more of a competency. For example, if a customer comes in, we have to create a separate dedicated suite for it, which is extremely unique for their requirements. So, we would say just to support the growth of the business and customer needs to travel from early to late stage this investment will be given, obviously 2X and 3X of expansion that we can think about it. Because we have civil structure available and we have the facility available, it is only the question of creating rooms in a way that we should be able to manufacture. Today, we don't have a full answer of what kind of product is going to come to us, but we know broadly what competency is needed.

Moderator: Thank you. We will take the next question from the line of Nishant Vass from 360 One Asset Management. Please go ahead.

Nishant Vass: Just a couple of questions. First, Dr. Prasada, could you talk a bit more on the potential synergies from NJ Bio for the Sapala side? Dr. Prasada, just wanted to get some sense from you on the potential synergies that NJ Bio brings for the oligonucleotides portion of for Sapala, considering you are also looking to ramp that up, so any thoughts that you have on the Sapala side as well for NJ? And the second question was in terms of considering you seem quite heavily invested this NJ on a research standpoint, I think could you give us a mix of your PhD to scientist ratio in NJ?

Dr. Prasada Raju: From a synergy standpoint, it is also an interesting component where we have identified there are XDCs, there are emerging modalities which are happening with radionuclide compounds and Oligo. That is where NJ Bio stands out uniquely in the global space of XDCs, where they have been able to identify application possibilities of Oligo. Having said that, we are at a very early stage of the molecules and we also wanted to leverage our abilities to manufacture the product at a GMP scale and we try to travel through the evolution journey. Otherwise, we are active and we feel very strong about Sapala's Oligo capabilities will become a value addition to it. So, from a PhD's to scientist is almost 3:1 ratio right now and based on the business needs, we might expand in future as well.

Nishant Vass: So, part of that investment will be towards improving that mix further?

Dr. Prasada Raju: That is right. Whatever capacity that we expand, we will also add enough scientific muscle to ensure that the capacity is fully put into the effective use.

Moderator: Thank you. We will take our next question from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: So, this $32 million revenue that you are looking at for this year, I would assume most of it is contract research revenues, can you break this up into, let us say, how much is based on FTE best effort basis and as per fee per service typically, what is the composition of the contracts that you typically get in the space?

Dr. Prasada Raju: Saion, while the predominant business as a core is on the preclinical to clinical this year, which is the current year, there is also a substantial portion of GMPs coming in that is where gives us the confidence that we can expand our capabilities to get into GMP. It should allow us for some time to go deeper and build our own prospects about how business evolution happens.

Otherwise, very happy to inform you that the current year itself has a substantial portion coming from GMP manufacturing.

Saion Mukherjee: Current year means for this Calendar '24 in this $32 million that you are talking about?

Dr. Prasada Raju: That is right.

Saion Mukherjee: And I don't know if you have discussed this, but you have shared any pipeline that NJ Bio currently has in terms of the number of projects that are currently ongoing?

Dr. Prasada Raju: We haven't shared anything. Of course, in future calls, definitely we should be able to provide that information because there are a lot of projects which are active or preclinical to discovery and there are few projects which are active in Phase 1 and 2 as well and progressively, we will definitely come back with how the pipeline is getting expanded.

Moderator: Thank you. We will take our next question from the line of Surya Patra from Phillip Capital. Please go ahead.

Surya Patra: My first question is about the library of payload linkers and the express conjugation services what you have indicated about NJ, can you give more clarity about that in terms of, can it be quantifiable or can it be quantified either in terms of the value or in terms of the number of projects that is there created and since it is a complementing capability to Suven's payload, so whether it is compatible with Suven's payload?

Dr. Prasada Raju: Yes, we understand ADC is also in a new arena of ADC. Historically, ADC is going to be defined predominantly by select monoclonal antibodies and more importantly a lot of research is to happen in the modification of payloads. As we understand the latest set of ADCs, the real research is happening on the payloads. With the extent of the library of payloads what we have from NJ Bio will also help us to attract customers from both payload to right conjugation for them to provide a right full scale offering which will also add value to us from selling the existing payloads as well. It is a very rapidly evolving space, and the knowledge of different linkers, as you understand linkers are also changing soluble, insoluble, lot of changes are happening on the linker side of it. The body of the knowledge which is seen in the form of a library should be construed as not just a mere number. It gives enough confidence about the scientific capabilities of NJ Bio in front of the customer. That is where real value addition and ticket to play is happening there. We strongly feel the knowledge available in the form of the library coupled with payload capabilities that we have it and abilities to expand into bioconjugation will definitely create a superior value to our customers.

Surya Patra: Sir, I was telling is it possible to say something about the profitability of the NJ, knowing the aspect of the criticality of this business or service offering, the margin profile looks low. Any specific reasons or it is the people cost which is having a significant say at this moment, going ahead could have a kind of relatively better?

Himanshu Agarwal: See, at this point of time, we have called out one aspect that going forward CY25 onwards, we should be looking at a margin profile of 20% plus EBITDA. My suggestion is that you should allow some time to understand what management can bring value working collaboratively with NJ Bio's management as well as us to see how the profile is, why the profile is, the way the profile is and how and what we can do to this particular profile.

Dr. Prasada Raju: And also to add to our CFO, as you understand, you can imagine companies growing at 70% CAGR and they were also in the phase of high CAPEX. Normally, CAPEX comes with OPEX as well. We have a clear line of sight, what kind of key growth drivers and lever can help us to really expand the overall margin profile and profitability and we certainly feel confident that it will be improved going forward.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Ms. Cyndrella Carvalho for closing comments. Over to you.

Cyndrella Carvalho: Thank you everyone for joining and we look forward to connect again post our Q3 earnings call. Thank you so much.

Dr. Prasada Raju: Thank you everyone.

Moderator: On behalf of Suven Pharmaceuticals Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.