



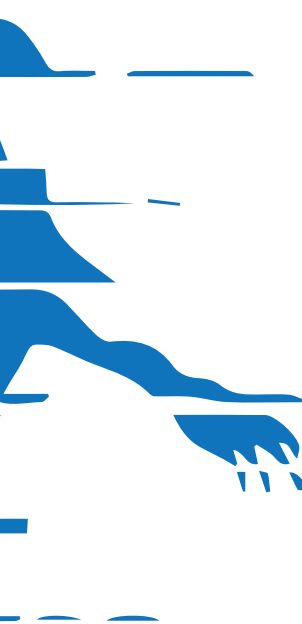
IN OUR STRIDE

**SUVEN
PHARMACEUTICALS
LIMITED**

3rd Annual Report
2020-21

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// Challenges are meant to be CHALLENGED //

Motivating soul

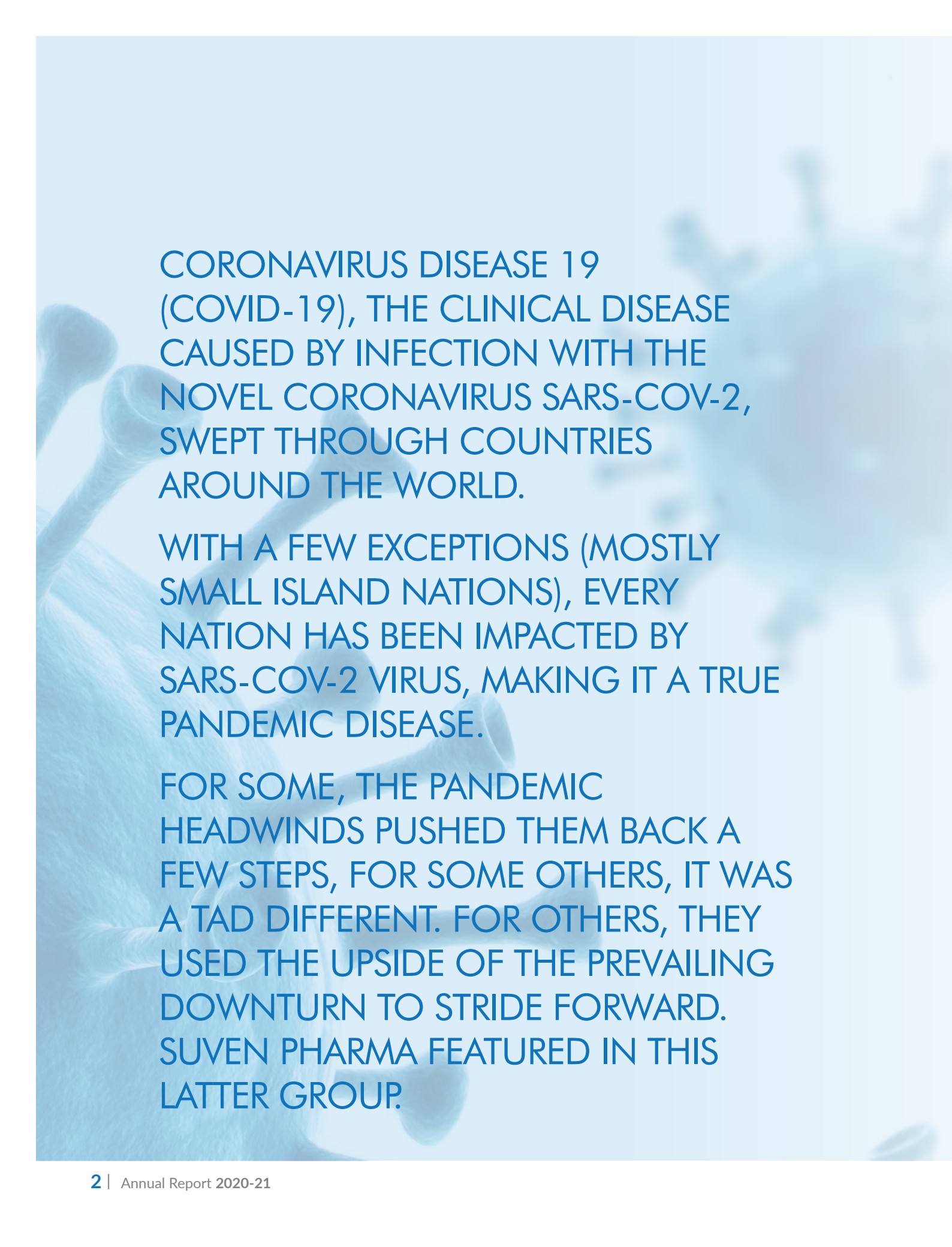
Business is always going to be risky, by default. There is no guarantee that if you were successful in the past, the success will sustain.

Business is a constant battle of taking risks and challenging the challenges. For it is only then that your business will thrive.

Business will continue to face obstacles. What you do with them determines which way you are headed.

At Suven Pharma, rather than stopping before obstacles, and getting drained by the 'ifs, but's and what ifs' we resolved to do what we had always done, take everything in our stride.

And move on!



CORONAVIRUS DISEASE 19 (COVID-19), THE CLINICAL DISEASE CAUSED BY INFECTION WITH THE NOVEL CORONAVIRUS SARS-COV-2, SWEEPED THROUGH COUNTRIES AROUND THE WORLD.

WITH A FEW EXCEPTIONS (MOSTLY SMALL ISLAND NATIONS), EVERY NATION HAS BEEN IMPACTED BY SARS-COV-2 VIRUS, MAKING IT A TRUE PANDEMIC DISEASE.

FOR SOME, THE PANDEMIC HEADWINDS PUSHED THEM BACK A FEW STEPS, FOR SOME OTHERS, IT WAS A TAD DIFFERENT. FOR OTHERS, THEY USED THE UPSIDE OF THE PREVAILING DOWNTURN TO STRIDE FORWARD. SUVEN PHARMA FEATURED IN THIS LATTER GROUP.

AS WE TOOK THINGS IN YOUR STRIDE, WE CHECKED OFF ALMOST EVERYTHING ON OUR 'TO- DO' LIST...

Worked on more pharma research projects
Increased supply volumes of commercial pharma molecules
Added one more commercial molecule in our speciality chemicals segment
Increased supply of already launched formulations
Added new products to our formulation basket
Filed more ANDAs to sustain our growth
Invested in augmenting our capability and capacity
Reduced our external debt
Enhanced business liquidity
Drew the contours of our path ahead

...growth became a natural consequence.

20%
Topline growth

14%
EBITDA growth

13%
Net Profit growth

A background image of a scientist wearing a white lab coat, a white face mask, and safety glasses. They are holding a test tube with blue liquid. The image is overlaid with a light blue grid and circles. The text is in blue and yellow.

About Suven Pharma

AN INTEGRATED
CDMO COMPANY WITH
STRONG
CAPABILITIES

FROM PROCESS RESEARCH
DEVELOPMENT TO
LATE STAGE CLINICAL
AND COMMERCIAL
MANUFACTURING

Suven provides services to leading Global Life Science and Fine Chemical majors including Custom Synthesis, Process R&D, Scale Up and Contract Manufacturing of intermediates, APIs and formulations.

Suven has established its core competency in cyanation and heterocyclic chemistry, including pyrimidines, quinolones, thiazoles, and imidazoles, in addition to demonstrating our proficiency in Carbohydrate and Chiral chemistry including tetrahydrofurans, amino acids and sulfoxides from gram to multi-ton scale

Our focus

NCE-based CDMO

A full-fledged biopharmaceutical solutions provider for global pharmaceutical companies

Our edge

- Present across the entire CDMO value chain – intermediates & APIs
- Working with innovator companies in developed markets having stringent regulations
- Long term commercial supply with the launch of product by global sponsors
- Repeat business owing to long standing relationships with MNC companies

90% plus
Revenue from
regulated markets

From the helm



SUVEN PHARMA,
TRUE TO
ITS NATURE
OF BEING A
PROACTIVE
ORGANISATION,
IS EMBARKING

ON A ₹600 CRORE
INVESTMENT OUR

LARGEST
SINCE
INCEPTION

Dear Shareholders.

It is that time of the year that I cherish. Through this statement I get to communicate my mind on what has transpired and what could play out over the near term.

It is with a great deal of satisfaction and pride that I look back at the year gone by.

At the start of FY21, we had estimated and communicated, that the Company would aim to achieve a 15-20% growth in its topline. Through the year, we continued to do what we do best, deliver projects and products to our customers and drive the performance of your Company, while ensuring a focus on sustainability. We ended the year with a 20% topline growth. Our revenue from operations crossed the ₹1,000 crore mark for the first time in our 32 years journey. And this was despite the pandemic-led disruptions.

In the face of rising costs, we delivered healthy profitability – our EBITDA margin was 40%-plus and our Net margin was 35%-plus. In sustaining this level of profitability, we have demonstrated our resilience and strength to withstand a difficult economic environment. I can say with pride that Suven Pharma would be the only Indian pharmaceutical company to report, on a consistent basis (for the last five years) and EBITDA margin in excess of 40%.

Going forward, we expect to deliver 10-15% growth on the expanded topline, subject to the occurrence and intensity of a third wave of the pandemic.

Assuming that the wave would be of reduced intensity owing to the aggressive inoculation drive in India, and across the world, I feel that focus on research by global innovators would intensify. This augurs well for our Pharma CRAMS operations, which is and will remain our key growth driver.

While, our specialty chemicals business should remain at the previous year levels, I am positive about our progress in our recent fledgling – the formulations piece.

What is particularly pleasing is that our new formulations vertical has registered a healthy growth. We increased our commercial formulations basket in FY21 and have a pipeline of 6 ANDAs that are pending approval. I expect these filings to receive the stamp of approval in the current year. Additionally, we hope to file another 6 ANDAs during FY22, enhancing our growth levers.

Having said that, I must add caution, that this is a very small vertical currently, by design. For we have cherry picked very small volume, niche products which are bereft of competition owing to the brand market size (US\$2-5 million per product). Despite sustained addition to the product basket, the overall size of the formulation piece, will remain relatively small when compared to other verticals.

The Small Giant

Suven Pharma, true to its nature of being a proactive organisation, is embarking on a ₹600 crore investment, our largest since inception. We have received the Board's approval for the same. This has raised considerable speculation in the investor community, so I take this opportunity to clear the dust on our capex plan.

Rationale: We are a 30-plus year company. Considering customer requirements, increasingly stringent regulatory requirements, we need to upgrade our equipment, technology and capabilities. This is not just modernising, but it will be a block-by-block overhaul and upgradation. In doing so, we will introduce sophisticated equipment and absorb cutting-edge technology which will enhance productivity and improve resource utilisation. If this investment is not done now, Suven Pharma, over the next few years, will not be able to meet customers, regulatory and technological requirements. In a nutshell, we are not investing for returns, we are investing for our sustainability.



Funding: Suven Pharma, is financially strong. We have a liquid reserves of ₹188 crore (cash, bank balance and liquid investments) as on March 31, 2021. We earned a cash flow from operations of ₹350 crore in FY21. Assuming that we maintain this same run rate for the next three years, over which the capital investment is planned, we should have generated in excess of ₹1,000 crore. Hence, even after dividend disbursement, we should comfortably fund the project from internal accruals.

The plan: It is a three-pronged investment 1) relocating our R&D center due to zoning regulations, which will take two to three years 2) replacing the 30 year old blocks (one at a time) and with upgradation and some balancing equipment at our Suryapet facility, and 3) adding a new block meeting FDA and other regulatory requirements in Pashamylaram.

R&D shift: In keeping with a recent Government order, we need to relocate our Jeedimetla R&D facility. Also, we experienced a fire incident at the R&D center in which some labs were damaged. This makes the shift a business mandate.

Our relocation initiative will significantly upgrade our R&D facility in terms of capability and technology, such as high potency capability, continuous chemistry, etc. This, I am confident, will enhance our competence to undertake a wider spectrum of research projects and sustain our 40%-plus EBITDA margin that positions us out of the pharma clutter.

Operating units: Our intent here is to enhance our proficiencies which will allow us to service customer's new-age requests. Hence, even as we overhaul our facilities, we plan to introduce Continuous Flows Chemistries and absorb new technologies which will allow us to remain relevant to the customers of today and tomorrow.

People ask me what are the kind of returns we expect from this investment. Today, I cannot give you an estimate. This is because in our line of business, we need to create the capacity and capability first. When that is done, customers feels confident in giving you their assignments.

Having said that, I must also reiterate that based on our frequent interactions with global innovators, we feel that the shift towards newer technologies is imminent. As such, being ready for the transition before it actually transpires will progressively benefit the Company. For when the customer is successful, Suven is successful.

In closing, I would like to place on record my appreciation to the Board of Directors for ensuring effective corporate governance and also thank them for their continued support and guidance. I would also like to acknowledge all our employees, customers, supplier partners and shareholders for their support and faith in Suven Pharma. Thank you for being a part of our exciting journey.

We stand firm in our commitment to build a sustainable business and deliver value to all our stakeholders.

Warm regards

Venkateswarlu Jasti
Chairman & Managing Director