

Nail biting wait with SUVN 502 data announcement

Suven reported a strong performance during Q4FY19. Revenue grew 19% YoY, due to a 64% YoY rise in specialty chemicals. Core CRAMS grew 4% to ₹ 718mn, whereas commercial CRAMS fell 23% YoY to ₹ 420mn (₹ 800mn for FY19). CTS grew 26% YoY, including Taro royalty worth ₹ 24mn. The management expects commercial revenue to be in the range of ₹ 1.3mn in FY20 and flat specialty chemicals. SUVN 502 could be a positive trigger, if the data is favourable. Based on a conservative approach, we estimate a TP of ₹ 310 (16x FY21E + NCE pipeline).

Pipeline status

SUVN 502 (Masupirdine): Finished last patient last visit (LPLV) in May 2019. The company expects top line data by 17th July 2019. The company invested USD 9mn in FY19 and USD 24mn so far. If the data is positive, the management has guided that it will partner with a bigger company for further investments and will receive upfront and milestone payments in return.

SUVN 3031: At the final stage of filing, which is to be done by Q1FY20. The recruitment is likely to start in Q2FY20. The company expects to move to Suven Neuro Sciences in FY20;

SUVN 911 and SUVN 4041: Both are undergoing toxicology tests.

Shore Pharma minority stake

Suven bought a 25% stake in Shore Pharma (Rising Pharma's subsidiary) for USD 35mn. Shore declared itself bankrupt and Suven bought the stake under the Stalking Horse agreement. The purchase is a long-term strategy to enter the US generic market. Shore already has 85-90 commercialised ANDAs.

Suven CRAMS and DDS update

The company has received NOC and is now in the process of filing to NCLT, and expects the demerger to be finalised by Q3FY20.

Q4FY19 Result (₹ Mn)

Particulars	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Revenue	2,533	2,137	18.5	1,290	96.3
Total Expense	1,480	1,225	20.8	934	58.4
EBITDA	1,053	912	15.4	356	195.8
Depreciation	55	54	1.9	56	(2.6)
EBIT	998	859	16.2	300	232.9
Other Income	38	92	(59.3)	58	(34.9)
Interest	16	13	25.6	5	197.5
EBT	1,020	939	16.2	352	189.6
Tax	340	313	8.6	100	240.8
RPAT	680	625	8.7	252	169.4
APAT	680	625	8.7	252	169.4
			(bps)		(bps)
Gross Margin (%)	70.2	72.1	(184)	78.4	(819)
EBITDA Margin (%)	41.6	42.7	(112)	27.6	1398
NPM (%)	26.8	29.2	(241)	19.6	728
Tax Rate (%)	33.4	33.4	(3)	28.4	500
EBIT Margin (%)	39.4	40.2	(77)	23.2	1617

CMP	₹ 273
Target / Upside	₹ 310 / 14%
BSE Sensex	39,667
NSE Nifty	11,925

Scrip Details

Equity / FV	₹ 127mn / ₹ 1
Market Cap	₹ 35bn
	US\$ 498mn
52-week High/Low	₹ 338/₹ 183

Avg. Volume (no)	3,31,245
NSE Symbol	SUVEN
Bloomberg Code	SVLS IN

Shareholding Pattern Mar'19(%)

Promoters	60.0
MF/Banks/FIs	2.4
FIIIs	5.7
Public / Others	32.0

Valuation (x)

	FY19A	FY20E	FY21E
P/E	39.8	28.6	23.0
EV/EBITDA	20.3	17.8	14.5
ROE (%)	10.9	13.8	15.3
RoACE (%)	10.4	12.9	14.3

Estimates (₹ mn)

	FY19A	FY20E	FY21E
Revenue	6,635	6,970	7,458
EBITDA	1,604	1,817	2,206
PAT	869	1,213	1,503
EPS (₹)	6.8	9.5	11.8

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Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	6,253	6,635	6,970	7,458
Total Expense	4,271	5,031	5,153	5,253
COGS	1,550	1,735	1,952	1,865
Employees Cost	613	661	726	792
Other expenses	2,108	2,634	2,476	2,596
EBIDTA	1,982	1,604	1,817	2,206
Depreciation	213	221	230	239
EBIT	1,769	1,383	1,587	1,967
Interest	46	38	35	33
Other Income	233	242	258	276
Exc. / E.O. items	0	0	0	0
EBT	1,955	1,587	1,810	2,210
Tax	718	718	597	707
RPAT	1,237	869	1,213	1,503
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,237	869	1,213	1,503

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	127	127	127	127
Minority Interest	0	0	0	0
Reserves & Surplus	7,547	8,183	9,147	10,288
Net Worth	7,674	8,310	9,274	10,416
Total Debt	340	371	367	364
Net Deferred Tax Liability	232	489	538	592
Total Capital Employed	8,246	9,170	10,179	11,372

Applications of Funds

Net Block	3,077	2,932	3,996	4,702
CWIP	247	1,111	1,000	1,000
Investments	1	1	1	1
Current Assets, Loans & Advances	5,866	6,345	6,477	6,961
Inventories	1,395	1,571	1,619	1,598
Receivables	615	1,501	1,577	1,688
Cash and Bank Balances	282	136	205	434
Loans and Advances	753	796	617	660
Other Current Assets	34	41	43	46
Less: Current Liabilities & Provisions	945	1,219	1,294	1,292
Payables	568	607	629	582
Other Current Liabilities	377	612	664	710
Net Current Assets	4,921	5,126	5,183	5,669
Total Assets	8,246	9,170	10,179	11,372

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	75.2	73.8	72.0	75.0
EBIDTA Margin	31.7	24.2	26.1	29.6
EBIT Margin	28.3	20.8	22.8	26.4
Tax rate	36.7	45.2	33.0	32.0
Net Profit Margin	19.8	13.1	17.4	20.1
(B) As Percentage of Net Sales (%)				
COGS	24.8	26.2	28.0	25.0
Employee	9.8	10.0	10.4	10.6
Other	33.7	39.7	35.5	34.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	38.2	36.6	46.0	59.4
Inventory days	81	86	85	78
Debtors days	36	83	83	83
Average Cost of Debt	8.8	10.6	9.4	9.0
Payable days	49	44	45	40
Working Capital days	287	282	271	277
FA T/O	2.0	2.3	1.7	1.6
(D) Measures of Investment				
AEPS (₹)	9.7	6.8	9.5	11.8
CEPS (₹)	11.4	8.6	11.4	13.7
DPS (₹)	1.8	1.6	2.3	2.8
Dividend Payout (%)	18.6	24.0	24.0	24.0
BVPS (₹)	60.4	65.4	73.0	82.0
RoANW (%)	17.2	10.9	13.8	15.3
RoACE (%)	16.4	10.4	12.9	14.3
RoAIC (%)	23.2	16.3	16.7	18.8
(E) Valuation Ratios				
CMP (₹)	273	273	273	273
P/E	28.0	39.8	28.6	23.0
Mcap (₹ Mn)	34,627	34,627	34,627	34,627
MCap/ Sales	5.5	5.2	5.0	4.6
EV	31,897	32,562	32,373	32,021
EV/Sales	5.1	4.9	4.6	4.3
EV/EBITDA	16.1	20.3	17.8	14.5
P/BV	4.5	4.2	3.7	3.3
Dividend Yield (%)	0.7	0.6	0.8	1.0
(F) Growth Rate (%)				
Revenue	15.0	6.1	5.0	7.0
EBITDA	53.6	(19.1)	13.2	21.4
EBIT	64.3	(21.8)	14.7	24.0
PBT	58.9	(18.8)	14.0	22.1
APAT	41.9	(29.7)	39.5	23.9
EPS	41.9	(29.7)	39.5	23.9

Cash Flow

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	995	550	1,654	1,691
CFI	159	478	1,255	1,066
CFF	646	218	329	397
FCFF	836	72	399	625
Opening Cash	92	282	136	205
Closing Cash	282	136	205	434

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)
Feb-18	Buy	330	190
May-18	Buy	350	187
Nov-18	BUY	315	245
Feb-19	BUY	315	229

*Price as on recommendation date

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