

Retail Equity Research (South India Focus)

Suven Pharmaceuticals Ltd

Pharmaceuticals

BSE CODE : 543064 NSE CODE: SUVENPHAR
 BLOOMBERG CODE: SUVENPHA:IN SENSEX : 52,792

Accumulate

12Months Investment Period Rating as per Small Cap
CMP Rs.519 TARGET Rs. 602 RETURN 16%
(Closing: 19-05-22)

KEY CHANGES:
TARGET ↑

RATING ↓

EARNINGS ↑

Pharma CDMO continues growth momentum

Suven Pharmaceuticals Ltd (SPL) is a pharmaceutical research expert, primarily operating in Contract Development And Manufacturing Operations (CDMO).

- Suven Pharma's total revenues grew by 40% YoY to Rs.364cr with the CRAMS (Pharma) and Formulations segments recording a phenomenal growth of 51.8% and 52.4% YoY respectively.
- EBITDA rose 68% to Rs.157cr despite increased employee costs and raw material expenses. Resultantly, adjusted PAT was Rs.92cr up 10% YoY. However, on a sequential basis, net profit was down -43% QoQ.
- Under Formulations, the company has filed 17 ANDAs (including 2 from Casper Pharma); 9 approved and 8 launched.
- With a strong order book, customer base in the CDMO segment and focus on expansion, the company is poised to sustain its growth momentum in the long term.
- However, since the positive factors have already factored in for the short term, we downgrade our rating to 'Accumulate' with a rolled forward target price of Rs.602 based on 25x FY24E EPS.

Strong performance in CRAMS (Pharma) and Formulations

Suven Pharma's total revenues grew 40% YoY to Rs.364cr with the Formulations and CRAMS (pharma) reporting stellar growth this quarter on a YoY basis. Specialty chemicals reported growth of 24% in Q4FY22 (YoY) while registering a 51% growth in FY22. As result, EBITDA grew by 68% YoY despite elevated employee cost and raw material expenses. Cost of raw materials was up 10% on account of input cost inflation and supply chain constraints. However, despite the cost pressure and higher tax rate, Suven Pharma reported a PAT of Rs.92cr with 10% YoY growth. On a sequential basis, net profit was down -43% QoQ. Suven Pharma has a strong balance sheet with debt equity ratio of 0.02 as of March 2022.

Acquisition of Casper Pharma

Suven Pharma acquired Casper Pharma for USD 20.5mn by way of purchase of entire share capital from the shareholders of Casper Pharma Private Ltd., a Hyderabad based SEZ company engaged in Formulations business. Suven plans to file 15 more ANDAs during the financial year which is currently under development while 2 that are already filed are awaiting USFDA inspection. The company expects their USFDA inspection in the near term in order to start generating revenues at the facility.

New capex plans in action

The capex of Rs.600crs, which is going to be spread across 3 years, is going to start with the Suryapet facility. The amount will be spent by the end of this year. This will be followed by the addition of the new block as per FDA regulations in the Pashamylaram facility in the next 2-3 months. The capex would be mainly used for modernization of manufacturing facilities, relocation of R&D facilities and acquisition of new technologies which in turn will be beneficial in the long run.

Outlook and valuation

The CDMO businesses proceeded to show good traction in terms of strong order book and strong client base. The Rs.600cr capex that is planned for the next few years will enable the company to cater to the growing customer base as well as maintain its quality levels in the long term. With its focus on expansion, acquisition of a formulations company, strong balance sheet and existing strong order book & client base, Suven is poised to sustain its growth momentum in the long term. However, since the positive factors have already factored in for the short term, we downgrade our rating to 'Accumulate' with a rolled forward target price of Rs.602 based on 25x FY24E EPS.

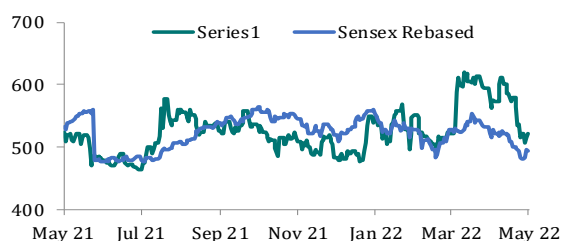
Company Data

Market Cap (Rs cr)	Rs.13,221
Outstanding Shares (cr)	25.4
Free Float	40.0%
Dividend Yield	0.2%
52 week high (Rs)	631
52 week low (Rs)	457
6m average volume (cr)	0.04
Beta	0.83
Face value (Rs)	Rs.1

Shareholding (%)	Q2FY22	Q3FY22	Q4FY22
Promoters	60.0	60.0	60.0
FPI's	8.03	8.25	8.56
MFs/Institutions	5.8	5.95	6.64
Public	26.1	25.8	24.8
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-5.08%	2.83%	-2.40%
Absolute Sensex	-6.36%	-9.10%	8.00%
Relative Return*	1.29%	11.93%	-10.40%

*over or under performance to benchmark index



Consolidated (cr)	FY22A	FY23E	FY24E
Sales	1,320	1,516	1,749
Growth (%)*	30.8	14.8	15.4
EBITDA	579	684	777
EBITDA Margin(%)	43.8%	45.2%	44.5%
PAT Adj.	453	542	612
Growth (%)*	0.25	0.20	0.13
Adj.EPS	17.84	21.35	24.08
Growth (%)*	25.3	19.6	12.8
P/E	29.3	24.5	21.7
P/B	8.69	6.61	5.19
EV/EBITDA	23.02	19.33	16.78
ROE (%)	33.5	30.7	26.8
D/E	0.03	-0.02	-0.09

Quarterly Financials (Consolidated)

(Rs cr)	Q4FY22	Q4FY21	YoY Growth (%)	Q3FY22	QoQ Growth (%)	FY22	FY21	YoY Growth (%)
Sales	364	259	40	392	-7	1320	1010	31
EBITDA	157	94	68	186	-16	580	443	31
EBITDA margins %	43	36	700bps	48	-500bps	44	44	-
Depreciation	10	8	25	11	-1	39	31	24
EBIT	147	85	72	176	-16	540	411	31
Interest	2	2	17	1	195	6	11	-44
Other Income	17	3	413	65	-74	92	14	551
Exceptional Items	0	0	-	0		0	0	-
PBT	161	87	86	240	-33	627	414	51
Tax	70	22	212	79	-12	214	105	103
Share of profit from Associate	-	-	-	-	-	-	-	-
Reported PAT	92	83	10	160	-43	454	363	25
Adjustments	0	0	-	0	-	0	0	-
Adj PAT	92	83	10	160	-43	454	363	25
No. of Shares	25.4	25.4		25.4	-	25.4	25.4	-
Adj EPS (Rs)	4	3	10	6	-43	18	18	1

Change in Estimates

	Old estimates		New estimates		Change %	
Year / Rs Cr	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	1340	-	1,516	1,749	13.10	-
EBITDA	609	-	684	777	12.37	-
Margins (%)	45.4%	-	45.2%	44.5%	(20)bps	-
Adj. PAT	486	-	542	612	11.56	-
EPS	19	-	21.35	24.08	12.34	-

Consolidated Financials

PROFIT & LOSS

	FY20A	FY21A	FY22A	FY23E	FY24E
Sales	834	1010	1,320	1,516	1,749
% change	25.7	21.1	30.8	14.8	15.4
EBITDA	385	440	579	684	777
% change	72.2	14.3	31.6	18.2	13.6
Depreciation	24	32	39	63	83
EBIT	361	408	540	621	694
Interest	23	9	6	9	7
Other Income	18	14	92	25	29
PBT	356	413	626	637	716
% change	60.6	16.0	51.5	1.7	12.5
Tax	88	105	214	166	186
Tax Rate (%)	25%	25%	26%	26%	26%
Reported PAT	317	362	453	542	612
Adj.*	0	0	0	0	0
Adj. PAT	317	362	453	542	612
% change	-5.1	14.1%	25.3%	19.6%	12.8%
No. of shares (cr)	25	25	25	25	25
Adj EPS (Rs)	12.5	14.2	17.8	21.3	24.1
% change	111.3	14.1	25.3	19.6	12.8
DPS (Rs)	2	2	2	2	2

BALANCE SHEET

Y.E March (Rs cr)	FY20A	FY21E	FY22A	FY23E	FY24E
Cash	14	10	47	105	291
Account Receiva- ble	117	102	236	208	240
Inventories	175	201	283	317	375
Other Cur. Assets	5	7	13	17	19
Investments	338	542	598	628	660
Gross Fixed Assets	467	583	715	1,117	1,417
Net Fixed Assets	353	438	531	869	1,087
CWIP	102	96	30	100	150
Intangible Assets	4	2	2	8	8
Def. Tax (Net)	-28	-29	-54	-54	-54
Other Assets	65	75	87	100	115
Total Assets	1,145	1,444	1,775	2,299	2,890
Current Liabilities	103	110	138	212	250
Provisions	11	9	13	21	24
Debt Funds	92	36	29	29	29
Other Liabilities	0	0	0	0	0
Equity Capital	13	25	25	25	25
Reserves & Surplus	832	1,155	1,502	1,982	2,533
Shareholder's Fund	845	1,181	1,527	2,008	2,558
Total Liabilities	1,145	1,444	1,775	2,299	2,890
BVPS	66	46	60	79	101

CASH FLOW

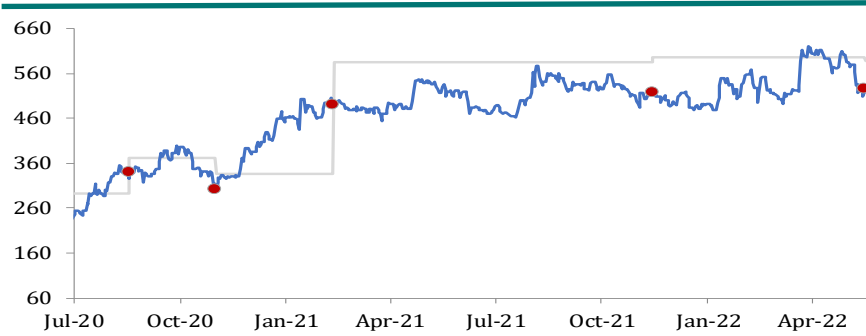
Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	357	499	706	700	799
Non-cash adj.	28	22	-130	29	-32
Changes in W.C	45	-11	-194	72	-51
C.F. Operation	368	384	330	678	644
Capital exp.	-99	-111	-75	-472	-350
Change in inv.	-276	-200	0	0	0
Other invest.CF	0	0	-5	-13	-15
C.F - Investment	-375	-311	-136	-520	-396
Issue of equity	0	0	0	0	0
Issue/repay debt	103	-42	-48	-38	0
Dividends paid	-77	-25	-102	-61	-61
Other finance.CF	-18	4	-39	-38	0
C.F - Finance	8	-77	-156	-100	-61
Chg. in cash	1	-4	38	58	186
Closing cash	14	10	47	105	291

RATIOS

Y.E March	FY20A	FY21E	FY22A	FY23E	FY24E
Profitab & Return					
EBITDA margin (%)	46.1	43.6	43.8	45.2	44.5
EBIT margin (%)	43.3	40.4	40.9	41.0	39.7
Net profit mgn.(%)	38	35.8	34.3	35.8	35.0
ROE (%)	34.4	35.7	33.5	30.7	26.8
ROCE (%)	42.7	34.6	35.3	30.9	27.1
W.C & Liquidity					
Receivables (days)	58	39.7	46.8	53.5	46.7
Inventory (days)	73	67.9	67.0	72.3	72.3
Payables (days)	15	0.0	0.0	0.0	0.0
Current ratio (x)	2.7	2.7	3.8	2.8	3.4
Quick ratio (x)	1.3	1.0	2.1	1.5	2.1
Turnover &Leverage					
Gross asset T.O (x)	2	1.9	2.0	1.7	1.4
Total asset T.O (x)	0.7	0.8	0.8	0.7	0.7
Int. covge. ratio (x)	15.6	44.4	86.6	66.3	98.3
Adj. debt/equity (x)	0.2	0.1	0.0	0.0	-0.1
Valuation					
EV/Sales (x)	14.8	13.2	10.0	8.7	7.4
EV/EBITDA (x)	32.1	30.3	22.9	19.2	16.7
P/E (x)	39.1	36.5	29.1	24.3	21.5
P/BV (x)	7.2	11.2	8.6	6.6	5.2



Recommendation Summary (Since listing)



Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Nuetral	-	-	-

Definition:
Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.
Accumulate: Partial buying or to accumulate as CMP dips in the future.
Hold: Hold the stock with the expected target mentioned in the note.
Reduce: Reduce your exposure to the stock due to limited upside.
Sell: Exit from the stock.
Not rated/ Nuetral : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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