

Strong overall results led by pharma CRAMS...

Q4FY21 revenue grew 40.3% YoY to ₹ 259 crore amid 51.3% YoY growth in pharma CRAMS sales to ₹ 137.7 crore. Specialty chemical CRAMS also posted robust growth of 35.1% YoY to ₹ 109 crore. However, formulation sales fell 36% YoY to ₹ 12.1 crore. EBITDA margins declined 566 bps YoY to 36.2% mainly due to lower gross margin performance (down 658 bps YoY at 64.7%). Subsequently, EBITDA grew 21.3% YoY to ₹ 94 crore. PAT was up 12% YoY to ₹ 83 crore. Delta vis-a-vis EBITDA was due to higher tax rate and lower profit share from associates.

Key conference call takeaways

- Second Covid wave impact higher than last time
 - 15-20% personnel affected directly or indirectly
 - Logistic challenges and container availability was impacted
 - Some RM prices went up 4-5x as oxygen availability was impacted
 - Situation is expected to improve, going ahead, with better traction unless a third Covid wave disrupts operations
- Gross margins should not be compared on a quarterly basis but on annual basis
 - Manufacturing costs higher in Q4 due to product mix
- Planned capex of ₹ 600 crore delayed, to start from Q2FY22
- Guidance for FY22: topline growth of 10-15%
 - CRAMS Pharma: 10-15%, CRAMS specialty chemicals: 5%, formulations – 10-20%
 - Margins to be maintained between 35% and 40% minimum
- Products: Six approved, five commercialised as of FY21, one ANDA commercialised in Q1FY22
 - six more filed with some to be approved in FY22, to file 5-6 in FY22

Valuation & Outlook

Suven's topline performance was in-line with I-direct estimates whereas profitability was lower due to lower-than-expected gross margins. Going ahead, the company hopes to achieve 10-15% growth in FY22 based on order book position. It plans to invest ₹ 600 crore for modernisation, technology upgradation, which likely stems from the need to cater to the changed priorities and requirements of its clients, the benefits of which may be visible in the long run. Cautious guidance notwithstanding, we continue to emphasise on the strong execution capability and focused approach without the burden of success/failure of the innovative pipeline (now part of Suven Life Sciences). We maintain **BUY** with a TP of ₹ 560 (earlier ₹ 575) based on 28x FY23E EPS of ₹ 20.0.

Key Financial Summary

₹ Crore	FY20	FY21	FY22E	FY23E	CAGR FY21-23E (%)
Revenues	833.8	1009.7	1127.5	1296.6	13.3
EBITDA	384.8	442.4	510.2	593.2	15.8
EBITDA margins (%)	46.1	43.8	45.3	45.8	
Net Profit	317.0	362.3	444.8	509.6	18.6
EPS (₹)	12.5	14.2	17.5	20.0	
PE (x)	37.9	33.2	27.0	23.6	
EV to EBITDA (x)	31.6	27.1	23.4	20.0	
RoE (%)	37.5	30.7	27.8	24.4	
RoCE (%)	35.6	31.2	29.8	26.7	

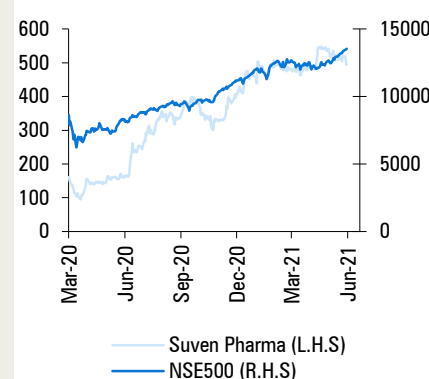
Source: ICICI Direct Research; Company



Particulars

Particular	Amount
Market Capitalisation	₹ 12023 crore
Debt (FY21)	₹ 141 crore
Cash (FY21)	₹ 10 crore
EV	₹ 12155 crore
52 week H/L (₹)	565/153
Equity capital	₹ 25.5 crore
Face value	₹ 1

Price Performance



Key risks to our call

- Quarterly gyrations due to lumpy nature of business
- B2B business model leading to heavy reliance on management guidance

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Exhibit 1: Variance Analysis

	Q4FY21	Q4FY20	Q3FY21	YoY (%)	QoQ (%)	Comments
Revenue	259.2	184.8	274.9	40.3	-5.7	YoY growth amid steep growth in CRAMS business albeit on lower base
Raw Material Expenses	91.4	53.0	66.2	72.5	38.0	
Gross margins (%)	64.7	71.3	75.9	-658.2	-1,116.8	Decline mainly due to ~20% increase in raw material cost
Employee Expenses	16.5	17.4	21.3	-5.0	-22.6	
Other Expenditure	57.6	37.2	49.2	55.0	17.0	Increased mainly due to higher logistic cost
EBITDA	93.7	77.3	138.1	21.3	-32.2	
EBITDA (%)	36.2	41.8	50.2	-566.1	-1,409.6	Decline amid higher raw material and logistic cost
Interest	1.9	7.2	2.7	-74.1	-31.5	
Depreciation	8.3	7.0	8.8	19.4	-5.1	
Other Income	3.3	5.3	4.8	-38.2	-31.9	
PBT before EO & Forex	86.8	68.4	131.5	26.9	-34.0	
Forex & EO	0.0	0.0	0.0			
Profit from Associates	18.7	21.0	16.0	-11.0	16.7	
PBT	105.5	89.4	147.5	18.0	-28.5	
Tax	22.4	15.2	33.9	47.1	-34.0	
Net Profit	83.1	74.2	113.6	12.0	-26.9	Delta vis-à-vis EBITDA amid higher depreciation, tax rate and lower other income
Key Metrics						
CRAMS - Pharma	137.7	91.0	217.0	51.3	-36.5	
CRAMS - Spec Chem	109.4	81.0	34.8	35.1	214.4	
Formulations & Others	12.1	19.0	23.3	-36.4	-48.0	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

₹ (Crore)	FY22E			FY23E		
	Old	New	% Change	Old	New	% Change
Revenue	1,156.3	1,127.5	-2.5	1,324.3	1,296.6	-2.1
EBITDA	523.2	510.2	-2.5	605.9	593.2	-2.1
EBITDA Margin (%)	45.3	45.3	0 bps	45.8	45.8	0 bps
PAT	449.2	444.8	-1.0	521.9	509.6	-2.4
EPS (₹)	17.6	17.5	-1.0	20.5	20.0	-2.4

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

₹ (crore)	Current			Earlier			Comments
	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
CRAMS - Pharma	468.4	623.7	706.7	812.7	683.0	785.4	Changed as per guidance
CRAMS - Spec Chem	304.2	305.9	325.3	374.1	365.0	419.8	Changed as per guidance and lower-than-expected growth in Q4FY21
Formulations & Others	74.6	80.2	95.5	109.8	108.3	119.1	

Source: ICICI Direct Research

Continued conference call takeaways...

- New research projects generally take two to three years before any output, but are currently delayed
- The management expects two small molecules under development to be able to deliver US\$8-10 million per product in couple of years
- Out of the ₹ 320 crore capex planned for FY21: ₹ 207 crore was capitalised, ₹ 96 crore in CWIP, rest (₹ 17 crore) deferred to FY22
- Specialty chemicals – Three commercialised (including one in Q4FY21),
 - The one in development will not be commercialised before FY23

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Revenues	833.8	1,009.7	1,127.5	1,296.6
Growth (%)	NA	21.1	11.7	15.0
Raw Material Expenses	229.2	301.9	332.6	382.5
Employee Expenses	65.1	76.2	81.7	94.0
Other Manufacturing Expenses	154.7	189.1	203.0	226.9
Total Operating Expenditure	449.0	567.3	617.3	703.4
EBITDA	384.8	442.4	510.2	593.2
Growth (%)	124.3	15.0	15.3	16.3
Interest	23.1	11.1	10.6	10.6
Depreciation	23.5	31.6	33.6	53.6
Other Income	18.1	14.2	56.4	67.4
PBT before Exceptional Items	356.3	413.9	522.3	596.4
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0
PBT	404.5	467.7	585.3	670.6
Total Tax	87.5	105.3	140.5	160.9
PAT before MI	317.0	362.3	444.8	509.6
Minority Interest	0.0	0.0	0.0	0.0
PAT	317.0	362.3	444.8	509.6
Adjusted PAT	317.0	362.3	444.8	509.6
Growth (%)	190.1	14.3	22.8	14.6
EPS	12.5	14.2	17.5	20.0
EPS (Adjusted)	12.5	14.2	17.5	20.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	318.1	358.2	444.8	509.6
Add: Depreciation & Amortization	23.7	31.2	33.6	53.6
Net Increase in Current Assets	18.0	-25.5	-42.5	-58.6
Net Increase in Current Liabilities	27.2	15.1	12.8	17.3
Others	5.9	-4.6727	0	0
CF from operating activities	415.9	383.4	459.3	532.5
(Inc)/dec in Fixed Assets	-99.3	-110.8	-400.0	-400.0
(Inc)/dec in Investments	-337.2	-200.5	0.0	-100.0
Others	15.4	0.0	2.7	3.0
CF from investing activities	-421.1	-311.3	-397.3	-497.0
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in sec. Loan	102.5	-42.4	0.0	0.0
Dividend & Dividend Tax	-76.7	-25.5	-23.0	-23.0
Others	-19.41	-8.67	-10.59	-10.59
CF from financing activities	6.4	-76.6	-33.6	-33.6
Net Cash flow	1.2	-4.4	28.5	2.0
Opening Cash	12.9	14.1	9.7	38.1
Closing Cash	14.1	9.7	38.1	40.1
Free Cash Flow	316.7	272.6	59.3	132.5

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	12.7	25.5	25.5	25.5
Reserve and Surplus	832.0	1,155.4	1,577.2	2,063.8
Total Shareholders fund	844.8	1,180.8	1,602.6	2,089.3
Total Debt	185.3	141.2	141.2	141.2
Deferred Tax Liability	27.6	30.9	34.0	37.4
Minority Interest	0.0	0.0	0.0	0.0
Other Non Current Liabilities	8.8	7.4	8.1	8.9
Source of Funds	1,066.5	1,360.4	1,786.0	2,276.9
Gross Block - Fixed Assets	456.7	572.7	672.7	1,072.7
Accumulated Depreciation	99.9	131.5	165.2	218.8
Net Block	356.7	441.2	507.5	853.9
Capital WIP	101.7	96.3	396.3	396.3
Net Fixed Assets	458.4	537.5	903.8	1,250.2
Investments	338.1	541.8	541.8	641.8
Inventory	174.9	201.1	224.5	258.2
Cash	14.1	9.7	38.1	40.1
Debtors	117.2	102.4	114.3	131.5
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	361.0	384.2	455.2	515.8
Creditors	71.1	82.9	92.6	106.5
Provisions & Other CL	35.3	31.2	34.3	37.7
Total Current Liabilities	106.3	114.1	126.9	144.2
Net Current Assets	254.6	270.1	328.3	371.6
LT L& A, Other Assets	15.3	11.0	12.1	13.3
Deferred Tax Assets	0.0	0.0	0.0	0.0
Application of Funds	1,066.5	1,360.4	1,786.0	2,276.9

Source: Company, ICICI Direct Research

Exhibit 7: Ratio Analysis				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	12.5	14.2	17.5	20.0
Cash EPS	12.5	13.5	17.9	21.2
BV	33.2	46.4	63.0	82.1
DPS	0.9	2.0	0.9	0.9
Cash Per Share	3.9	5.2	6.5	8.6
Operating Ratios (%)				
Gross Profit margins	72.5	70.1	70.5	70.5
EBITDA margins	46.1	43.8	45.3	45.8
Net Profit margins	38.0	35.9	39.5	39.3
Asset Turnover	1.8	1.8	1.7	1.2
Inventory days	76.6	72.7	72.7	72.7
Debtor days	51.3	37.0	37.0	37.0
Creditor days	31.1	30.0	30.0	30.0
Return Ratios (%)				
RoE	37.5	30.7	27.8	24.4
RoCE	35.6	31.2	29.8	26.7
RoIC	39.3	38.3	40.7	34.6
Valuation Ratios (x)				
P/E	37.9	33.2	27.0	23.6
EV / EBITDA	31.6	27.1	23.4	20.0
EV / Revenues	14.6	11.9	10.6	9.1
Market Cap / Revenues	14.4	11.9	10.7	9.3
Price to Book Value	14.2	10.2	7.5	5.8
Solvency Ratios				
Debt / Equity	0.2	0.1	0.1	0.1
Debt/EBITDA	0.5	0.3	0.3	0.2
Current Ratio	3.3	3.3	3.3	3.3

Source: Company, ICICI Direct Research

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