

# SUVEN LIFE SCIENCES LTD

...prescription for wealth creation



## EQUITY STRATEGIST

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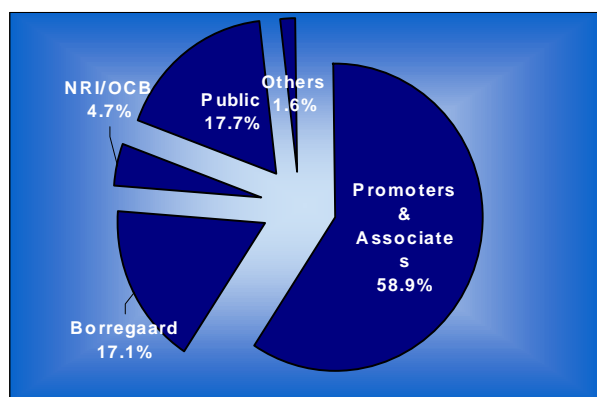
**Industry** : Pharmaceuticals  
**Category** : Hyper Growth  
**Recommendation** : Strong Buy

**Present Price** : Rs 310  
**Projected Price** : Rs. 1050  
**Holding Period** : 24 months

### MARKET DATA

Current Equity : Rs. 4.40 cr.  
Face Value : Rs 10  
Book Value : Rs. 118.13  
Market Cap. : Rs. 136.4 cr.  
Free Float : 24 %  
High / Low : Rs 369/65  
Listing : BSE  
BSE Code : 530239

### SHAREHOLDING PATTERN (%)



### PRICE CHART



### EXECUTIVE SUMMARY

- Suven Life Sciences Limited, promoted by Mr. Venkat Jasti, a first generation entrepreneur and well known figure in pharmaceutical industry is engaged in Contract Research And Manufacturing Services (CRAMS), Active Pharmaceutical Ingredients (API) and Chemical Intermediates.
- Borregaard, a Norway based fine & specialty chemicals NOK 7 billion company, holds strategic 17% stake in Suven outsourced Rs. 6.23 cr. from Suven in 2002-03.
- Suven, India's first company to focus on CRAMS and Intellectual Property Rights (IPR), involved in research and development (R&D) activities for 22 global giants engaged in life science and fine chemicals. Today, it has become an associate for R&D for the world's leading companies like Abbott (US), Borregarrd (US/Norway), Du Pont (US), Hoechst (Germany), Kodak (US), Degussa (Germany), Fermion (Finland), Sochinaz (Switzerland), Imation/3M (US) etc.
- Suven's innovative research for intermediates of new chemical entities (new drugs) has focussed on the therapeutic category like anti-cholesterol, anti-depressant, anti-AIDS, anti-hypertension, anti-convulsant and medical imaging.
- The Indian pharmaceutical industry is on the verge of exponential growth in coming years due to the opportunities created by the drugs with sales worth approx. \$ 60 billions going off patent in the US alone in next 5 years. Indian pharma industry, pegged at \$ 5 billion today, is expected to go upto \$ 25 billion by 2010.
- Suven has worked on 216 products since its inception in 1994, today it has 38 active products, out of which 8 are in clinical trial phase III, 18 in phase II and 8 in Phase I. Immense potential exists once any one of the drugs gets regulatory approvals.
- Suven, as a niche R&D driven and 100% IPR compliant company, offers the entire discovery related spectrum of services. NCE continues to be the thrust area with selective ANDA based APIs with IPR linked work for sustained business.
- Suven, a CRAMS pharma company, graduating from contract research to collaborative research with 8 products in clinical phase III, assured contracts for supply during patent period, available at a P/E of 12 of expected FY04 EPS of 26 and P/E of 5 on Projected FY06 EPS of Rs. 65 offers tremendous scope of appreciation.

## BUSINESS PROFILE

Suven Life Sciences Limited is one of the niche pharmaceutical company in CRAMS, API and fine chemicals in India to take on the discovery research services because of its IPR compliance and relationship with 22 leading global life science companies like Abbott (US), Du Pont (US), Hoechst (Germany), Kodak (US), Degussa (Germany) etc. Suven is well positioned in contract research manufacturing of NCE based products and ANDA based APIs. The base of R&D scientists is likely to increase from 108 to 170 in FY04 and manufacturing facilities have been upgraded. It has invested about 22% of sales in R&D related activities in FY03.

The API business targeted towards regulated market would contribute significantly to top line and bottom-line from FY 05 onwards, with the requisite approvals from USFDA. First DMF for Gabapentin an anti-epileptic with US\$ 2 billion sales filed during August 2003 is expected to contribute handsomely in FY06. The company intends to build a pipeline of about 6 DMFs by 2004 and subsequently will file about 2-3 DMFs every year to cater to the generic API business in regulated market.

CRAMS has high entry barriers because of commercialization of molecule the intermediate supplier would be preferred supplier till the expiry of patent. The initial growth in this model is slow as sales volume are low during clinical trials, revenue pick up rapidly during registration and commercial launching and contributes till the expiry of patent.

The company has recently acquired Synthon Chiragenics (USA) through its US based subsidiary to gain access to the most lucrative North American market.

The sales volume surge when any of the NCEs for which the company has developed intermediates, is launched commercially. Suven is planning to keep the Contract Research Pipeline full. Margins upwards of 50% are not uncommon upon commercialization of R&D products, unless the pipeline is filled to optimum levels.

Suven is also building up its IPR assets and has till date filed 15 patents and by FY08 it is expected that about 35% of its business will be IPR based.

## THE CONTRACT RESEARCH PIPELINE

### PARTICULARS

**2002-03**

Total products since inception i.e.1994	216
Active Products	38
New Products added during 2002-03	14
New Products dropped during 2002-03	13
Products in Clinical Trials Phase III	8
Products in Clinical Trials Phase II	18
Products in Clinical Trials Phase I	8
Products Commercialised	0
New Customers added	

## CRAMS SIZE

	India	Global
R&D	USD 2 bn.	USD 25 bn
Clinical Trials	USD 2 bn	USD 10 bn
Manufacturing	USD 9 bn	USD 80 bn

India's opportunity tapping about USD 13 bn. is just about 10% of total global size.

# FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE (Rs. in cr)

Particulars	FY03	Q1FY04	Q1FY03	% Change	FY04P	FY05P	FY06P
Net Sales	45.20	14.71	7.33	100.68	66.80	95.25	135.50
Other income	1.79	0.06	0.79	-92.41	1.45	2.44	3.50
Total Income	46.99	14.77	8.12	81.90	68.25	97.69	139.00
Total Exp.	35.51	11.61	5.68	104.40	51.35	70.94	80.72
Op. Profit	11.48	3.16	2.44	29.51	16.90	26.75	58.28
Interest	0.32	0.07	0.04	75.00	0.50	0.25	0.00
Gross Profit	11.16	3.09	2.40	28.75	16.40	26.50	39.50
Depreciation	1.49	0.47	0.38	23.68	1.80	2.80	3.50
PBT	9.67	2.62	2.02	29.70	14.60	23.70	36.00
Tax	4.04	0.26	0.57	-54.39	3.20	5.20	7.40
Net Profit	5.63	2.36	1.45	62.76	11.40	18.50	28.60
Equity	4.40	4.40	4.40	0.00	4.40	4.40	4.40
EPS	12.80	5.36	3.30	62.76	25.91	42.05	65.00
CPS	16.18	6.43	4.16	54.64	30.00	48.41	72.95
Book Value	118.13				138.04	152.68	207.68
Dividend	45				60	75	100
OPM %	24.43	21.39	30.05		24.76	27.38	41.93
PBDT %	23.75	20.92	29.56		24.03	27.13	28.42
NPM %	11.98	15.98	17.86		16.70	18.94	20.58

The projections for FY04 includes contribution from repeat orders for its product commercialised in 2001. Major growth is expected from Gabapentin an anti-epileptic (\$ 2 billion market drug) in FY05. In FY06, another two products are expected to get regulatory approvals and provide exponential growth to company with increased margins. There will be consistent improvement in earnings in coming years. The P/E of the Suven at CMP of Rs 310 is only 5 based on its FY06 earnings of Rs. 65 which is well below its peers like Divis Lab etc.

## SUVEN'S BUSINESS MODEL : A UNIQUE POSITION

SUVEN	OTHERS
Innovator & Visionary	Traditional approach
Pioneer	Followers
Discovery Based	Manufacturing Intensive
Long Term Approach	Short Term Strategy
Niche Areas	Generalist
High Focus on NCEs	In Generics
Collaborative Research	Contract Research
IPR compliant	Missing Aspect
High Margins & Growth	High Volume Strategy

## TECHNICAL ANALYSIS



- ◆ Stock is in clear long term uptrend, trading above 200 Days Moving Average for past many months.
- ◆ Above chart shows that stock is about to breakout from current range and enter uncharted territory.

## INVESTMENT STRATEGY

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### EQUITY STRATEGIST

**THE FEATURES** - A techno- funda newsletter that caters to the needs of all market participants through its various columns:

COLUMN	HOLDING PERIOD	APPRX RETURN	RISK PROFILE
STOCK WATCH	2-5 WEEKS	10-15%	LOW RISK/HIGH RETURNS
TRADING OPPORTUNITIES	5-10 DAYS	5-10%	MEDIUM RISK/MEDIUM RETURNS
INTRADAY TRADES	ONE DAY	3-5%	HIGH RISK/LOW RETURNS
FUNDAMENTAL PICK	6-12 MONTHS	35-40%	LOW RISK/SUPER RETURNS
INVESTMENT PICK	3-6 MONTHS	25-30%	LOW RISK/HIGH RETURNS
INFORMED GOSSIP	BUYING/SELLING RUMOURS OF MARKET OPERATORS, FII's & MUTUAL FUNDS		
MARKET COMMENTARY	DETAILED OUTLOOK OF MARKET AND STRATEGY TO DEAL WITH IT		
KNOWLEDGE BANK	INFORMATION ON TRADING RULES & PSYCHOLOGY, MONEY MGMT. ETC.		

**OUR UNIQUE SERVICE – BPO in Equity Research** – We also provide services for research on stocks/ industries to brokerage houses, mutual funds, FII's etc.,

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