BUY

CMP: **INR 1,176** Target Price: **INR 1,400** ▲ 19%

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25 March 2025

India | Equity Research | Initiating Coverage

Suven Pharmaceuticals

Pharma

A distinct CDMO in the making

Suven's rapid ascendance in the CDMO space has been remarkable. It has journeyed from being a small-molecule-focused CDMO to achieving eminence as one of the few CDMOs in India that offers contract manufacturing of oligonucleotides and ADCs. Its merger with Cohance is slated for completion in Q1FY26. Cohance's ADC payload capabilities complement NJ Bio's (acquired 56% stake in Dec'24) expertise in linker/bioconjugation technologies. Separately, Sapala (67.5%) gets Suven a foot in the door in oligoneuclutides/nucleic acid building blocks segment. We peg Suven's (combined entity) FY25–27E FCF at ~INR 11.5bn – an enabler to develop/acquire newer capabilities under its Horizon-2 targets. Management is keen to achieve USD 1bn in revenue by FY30 (27% CAGR over FY25–30E) and USD 2bn by FY35 – via M&As and organic growth.

Over FY24–27, we estimate the combined entity to register 18.8%/22%/21% revenue/EBITDA/PAT growth. We initiate coverage on Suven with a **BUY** rating and a DCF-based target price of INR 1,400.

Cohance merger: Amplifying scale and fostering capabilities

Cohance is a privately held entity of Advent, a PE firm. In Feb'24, Advent acquired controlling stake in Suven. Post acquisition of controlling stake (~50%) in Suven, Advent announced the merger of Cohance with Suven – Suven shall issue 11 shares for every 295 shares of Cohance, advancing Advent's shareholding in Suven to 66.7%. Cohance is the world's first company to develop a synthetic route for large-scale production of its proprietary camptothecin-based payload platform. It has leadership in S-Trione – a key intermediate in camptothecin derivatives. We expect the merger with Cohance to boost revenue/PAT by 138%/108% on FY25E basis.

Cohance and NJ provide Suven an edge in ADCs

Separately, Suven acquired 56% in NJ Bio in Dec'24 – at pre-money equity value of ~USD 100mn. Cohance's extensive payload library covers ~75% of payload market; integration of NJ Bio's capabilities with Cohance allows Suven a prominent position among CDMOs for ADCs in India. NJ Bio's expertise in linker and bioconjugation technologies complements Cohance's leadership in payload chemistry and GMP-level manufacturing capabilities. Post NJ's acquisition, Suven's addressable market opportunity in the fast-growing ADC market (~25% over CY23–29) surged from USD 200mn to USD 1.4bn.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	23,922	26,636	33,165	40,280
EBITDA	7,680	8,984	10,686	14,026
EBITDA Margin (%)	32.1	33.7	32.2	34.8
Net Profit	5,739	6,090	6,600	9,092
EPS (INR)	14.7	15.6	16.9	23.3
EPS % Chg YoY	(15.3)	6.1	8.4	37.8
P/E (x)	79.8	75.2	69.4	50.4
EV/EBITDA (x)	59.1	50.6	42.1	31.5
RoCE (%)	13.7	13.4	15.2	15.8
RoE (%)	16.4	15.5	14.9	16.9

Note: Valuation ratios take into consideration post-merger share swap

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Market Data

Market Cap (INR)	299bn
Market Cap (USD)	3,495mn
Bloomberg Code	SUVENPHA IN
Reuters Code	SUVH.BO
52-week Range (INR)	1,360 /597
Free Float (%)	50.0
ADTV-3M (mn) (USD)	6.1

Price Performance (%)	3m	6m	12m
Absolute	5.3	(0.9)	80.8
Relative to Sensex	5.9	7.3	73.8

ESG Score	2023	2024	Change
ESG score	64.4	NA	NA
Environment	47.4	NA	NA
Social	55.5	NA	NA
Governance	76.6	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Sapala – Suven's foray into oligonucleotides

Acquisition of Sapala Organics (Sapala) marked Suven's foray into oligonucleotides. Sapala is among the few CDMOs globally that supplies complex building blocks for oligonucleotides. It is capable of synthesizing a spectrum of modified amidites and nucleosides with excellent purity alongside high level of backward integration (15+ steps). Sapala has a diversified innovator customer base (CDMO and diagnostic) with a strong Japan presence. It is the only supplier of Tricyclo-DNA Amidites in the world and supplies multi-kilo scale synthesis of wide variety of GalNAc compounds to innovators with the highest purity profile. Sapala's reported revenues were over INR 670mn and its adjusted EBITDA margins was ~45% in FY24. Sapala, currently, has projects in early-to mid-stage development with a few in phase-1 of development. Synergies from the acquisition are expected to bear fruit FY28 onwards.

USD 1bn FY30 revenue goal

Under its Horizon-1 initiative, Suven has expanded its market presence in small molecules, ADCs, oligonucleotides and amidites and Protac. The company has acquired these capabilities at reasonable valuations with the pending merger of Cohance at 19.2x FY24E EV/EBITDA while the 67% stake in Sapala was acquired at 15x trailing FY24E EV/EBITDA and NJ Bio at 3.1x CY24E EV/sales (pre-money). Suven further aims to cement its footprint in flow chemistry, mRna, peptides and enzymatic synthesis under its Horizon-2 initiatives over the next few years. Management has also set a target of growing its revenues at a 27% CAGR over FY25–30 to USD 1bn by FY30 and USD 2bn by FY35 while CDMO revenue share is expected to rise from 60% (LTM Sep'24) to 80% in FY30 and 90% by FY35.

RFPs and commercial supplies to boost small-molecule growth

Suven has a strong execution track record in small-molecule CDMO. It has a healthy mix of mid-phase to lateral-phase projects, including commercials along with a few new customers. The company currently has 16 commercial patented molecules and has ties with 14 of the 20 top innovators who contribute >80% to its revenues. Suven's Phase-3 pipeline includes nine molecules, translating into 15 intermediates and one molecule received positive readout in FY25.

Further a non-ADC molecule, for which Cohance was supplying products, has received USFDA approval and management expects it to drive growth in the mid–long term. Suven is also witnessing a 2.2x increase in RFQs and its base CDMO business is generating strong operating cash flow with robust return ratios. Suven witnessed stabilisation in its specialty chemical business in Q3FY25 and management is hopeful of growing this business in FY26. It is also setting up a dedicated site for this business at its Vizag plant, which would cater to the segment's growth needs. We expect revenue of Suven's base business to grow at a 12.3% CAGR over FY25–27E.

Best in class operating metrics

We expect the base biz of Suven to grow at 12.3% CAGR over FY24-27E driven by recovery in its CDMO biz and margins at ~41% in FY27. Cohance revenues are likely to grow at 11.1% CAGR over FY24-27E with EBITDA margins of ~34%. Revenue of the combined entity (Suven+Cohance) is likely to increase by ~10% in FY26E, as Suven fully consolidates Sapala and NJ Bio. While margins of Sapala, at 45%, are higher than combined entity margins of 32.1% (FY24), margins for NJ Bio were at 10% in CY24 and will likely increase to 20% in CY25E.

View and valuation

Post Advent's entry, it hired a marquee team of professionals to run all the different segments in which Cohance and Suven has a presence. The erstwhile promoters of Sapala and NJ Bio continue to be an integral part of these entities and shall be instrumental in driving growth. It has also set up a strong advisory team consisting of industry leaders who provide necessary guidance to the board and management team. Advent's focus has also been on adding newer technical capabilities and has converted Suven into a CDMO that can match the capabilities of its global peers.

Under its Horizon-1 initiatives, Suven has been able to diversify the company's presence from the large, though slow-growing, small molecules-segment (TAM of USD 971bn and likely to grow at 4.4% over CY23–28F) to the fast-growing and evolving biologics market. This includes ADC's (TAM of USD 10.4bn to grow at 26.9%), oligonucleotide (TAM of USD 4.6bn to grow at 18.2%) and protein and peptide (TAM of USD 127.9bn to grow at 11.3%). Advent has also been prudent in identifying key assets and acquiring these at reasonable valuations, which has made the opportunity more lucrative for Suven's existing shareholders.

Acquired entities Sapala and NJ Bio are at healthy stages of the cycle with FY24 revenues of INR 670mn and USD 32mn, respectively, accounting for a mere 10% of Suven and Cohance's FY24 revenue. We believe, the revenue share of these acquired entities shall rise to 17% as the business gains momentum in ensuing years. To strengthen Suven's base business, the company has hired industry professionals and efforts of these have started to yield results with the company witnessing a 2.2x rise in RFQs while the company's phase-3 pipeline includes nine molecules translating into 15 intermediates and one molecule received positive readout in FY25.

Management is hopeful of a recovery in its specialty chemicals segment in H2FY25. It is also setting up a dedicated site for this at its Vizag plant, which would cater to the segment's growth needs. Management has set an aspirational target of achieving revenue of USD 1bn by FY30, which shall be further scaled up to USD 2bn by FY35, signifying its commitment of creating Suven into a global CDMO power house.

We expect Suven to register 18.8%/22%/21% revenue/EBITDA/PAT growth over FY24–27E. The company is also likely to generate free cash flow of INR 18.3bn over FY25–27E, which should help meet its organic initiatives. RoE is likely to improve from 16.9% in FY24 to 18.6% in FY27E. At CMP, the stock trades at 50.4x FY27E earnings and 31.5x EV/EBITDA. We value the company on a DCF basis, which we believe would help capture the long-term potential of this business. We initiate coverage on the stock with a **BUY** rating and a target price of INR 1,400 (upside of ~19%).

Key downside risk: Slowdown in global R&D; loss of patent of commercial products may dent performance; delay in integration and synergies of the acquired assets; and geopolitical uncertainties.

Exhibit 1: DCF valuation

Particulars (INR mn)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Total sales	**26,636**	**33,165**	**40,280**	**48,236**	**57,883**	**69,460**	**83,352**	**1,00,022**	**1,20,027**	**1,44,032**	**1,72,839**
Growth (%)	11.3	24.5	21.5	19.8	20.0	20.0	20.0	20.0	20.0	20.0	20.0
EBITDA	8,984	10,686	14,026	17,195	20,750	25,039	30,213	36,456	43,987	53,073	64,033
Margins %	33.7	32.2	34.8	35.6	35.8	36.0	36.2	36.4	36.6	36.8	37.0
Gross cash flow	6,816	6,887	9,330	11,457	13,073	15,994	19,537	23,833	29,041	35,355	43,007
FCF	**-2,003**	**4,387**	**6,830**	**8,957**	**10,573**	**13,494**	**17,037**	**21,333**	**26,541**	**32,855**	**40,507**
Discounting rate	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Year	0	1	2	3	4	5	6	7	8	9	10
Discounted FCF	**-2,003**	**3,997**	**5,668**	**6,771**	**7,281**	**8,465**	**9,736**	**11,105**	**12,586**	**14,193**	**15,940**

Source: Company data, I-Sec research

Key assumptions for DCF	
WACC	**9.8%**
Terminal growth rate	6.0%
Sum of current cash flows (10 years) (INR mn)	95,740
Terminal value (INR mn)	4,40,460
Total value of operations (INR mn)	5,36,200
Add Cash & Cash Equivalents (INR mn)	9,440
Total value of firm (INR mn)	5,45,640
Derived price per share (INR)	**1,400**
Upside from CMP (%)	19%

Source: Company data, I-Sec research

Exhibit 2: Peer group valuation comparative

Company	Market Cap (INR bn)	Target Price	Rating	Revenue				EBITDA			
				FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Suven Pharmaceuticals	**308**	**1,400**	**BUY**	**23,922**	**26,636**	**33,165**	**40,280**	**7,680**	**8,984**	**10,686**	**14,026**
Piramal Pharma	301	280	BUY	81,712	93,951	1,09,381	1,24,239	11,963	15,596	20,126	24,102
Divi's Labs	1,539	4,500	SELL	78,450	92,477	1,10,320	1,38,877	22,050	28,927	36,889	49,778
Syngene International*	288	NR	NR	34,886	37,233	43,081	50,278	10,702	10,756	13,086	15,678
Laurus Labs Ltd*	330	NR	NR	50,018	55,166	64,317	74,770	7,487	10,559	14,465	18,465
Neuland Laboratories*	151	NR	NR	15,157	15,438	20,404	26,193	4,626	4,103	6,569	8,839
Sai Life Sciences*	151	NR	NR	14,650	16,389	19,283	22,274	2,855	4,004	5,124	6,240

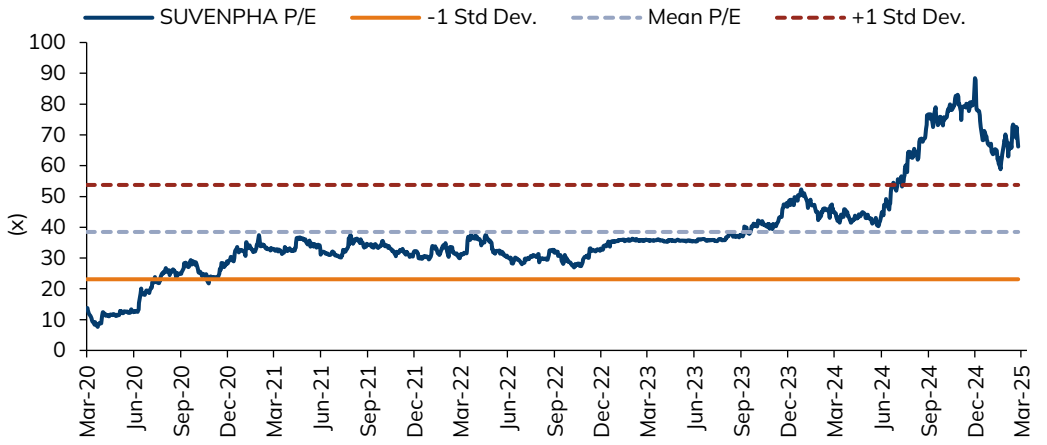
Company	EPS				P/E (x)				EV/EBITDA (x)				ROE (%)			
	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Suven Pharma	**13.1**	**14.8**	**16.9**	**23.3**	**79.8**	**75.2**	**69.4**	**50.4**	**59.1**	**50.6**	**42.1**	**31.5**	**16.4**	**15.5**	**14.9**	**16.9**
Piramal Pharma	0.2	1.1	4.4	6.7	1,131.8	192.4	46.7	30.8	26.2	20.2	15.5	12.7	0.3	1.8	7.0	9.7
Divi Labs	59.4	77.8	100.2	135.6	95.5	72.9	56.6	41.8	66.3	50.5	39.5	29.2	12.0	14.6	17.2	20.8
Syngene International*	12.7	12.5	15.9	20.1	55.4	56.5	45.0	35.6	25.9	26.4	21.7	18.1	13.0	11.2	12.4	13.8
Laurus Labs*	3.0	6.0	10.9	15.9	131.7	102.4	56.1	38.5	31.5	33.8	24.6	19.3	3.9	7.8	12.5	15.1
Neuland Laboratories*	233.9	205.3	345.0	476.4	27.0	57.1	34.0	24.6	17.5	36.7	22.9	17.0	26.4	18.4	24.5	26.3
Sai Life Sciences*	-	8.0	12.6	15.9	-	91.0	57.2	45.5	-	39.7	31.0	25.5	8.9	11.0	11.9	13.5

Source: I-Sec research, Company

*Bloomberg estimates

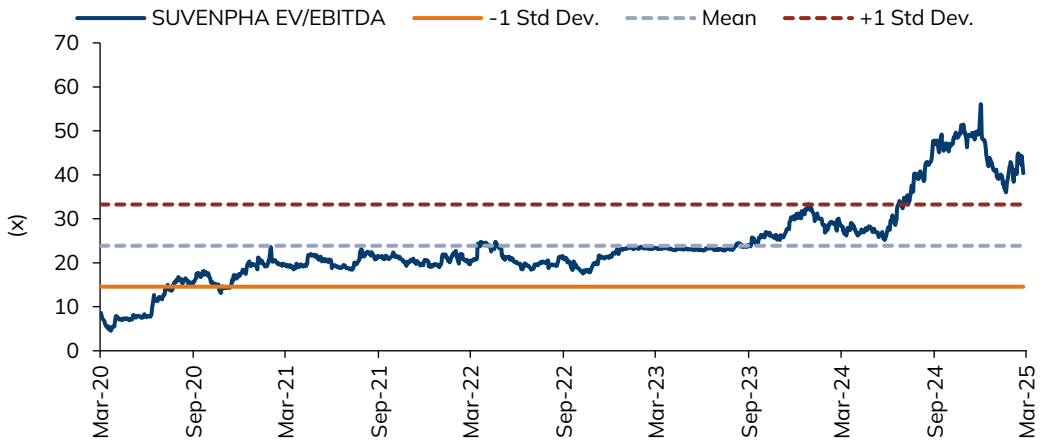
PE and EV/EBITDA bands

Exhibit 3: One year forward PE band of Suven



Source: Bloomberg, I-Sec research

Exhibit 4: One year forward EV/EBITDA band of Suven



Source: Bloomberg, I-Sec research

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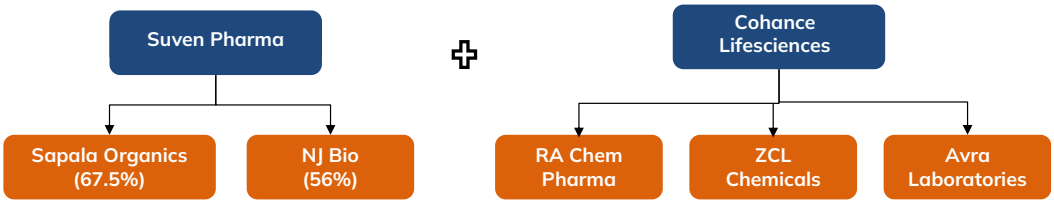
About Suven Pharma

Suven Lifesciences Limited was established in 1989. Later, in 2020, its contract development and manufacturing organisation (CDMO) business was demerged into a separate entity and named Suven Pharmaceuticals Limited (Suven). On 29 Sept'23, Advent International (Berhyanda Ltd.) acquired 50.1% stake in Suven Pharma at INR 495/share, amounting to INR 63.3bn. Further, Advent intends to explore the merger of its portfolio company, Cohance Lifesciences with Suven, to build a leading end-to-end CDMO and merchant API player servicing the pharma and specialty chemical markets.

Suven does ~90% of its business with innovators and follows the customer from Phase-1 to commercialisation. It has a strong pipeline of Phase-3 and late Phase-2 molecules with 100+ active projects. Suven has strong capabilities of process-R&D to late stage clinical and commercial manufacturing. CDMO business has a robust growth track record with revenue surging ~18% CAGR over the last four years and industry-leading EBITDA margins of ~41% in FY24.

Exhibit 5: Merged entity structure



Source: I-Sec research, Company data

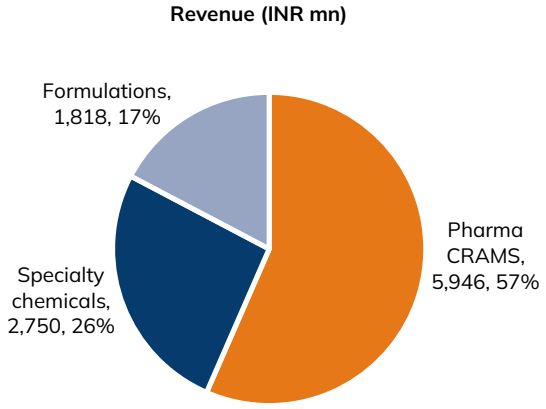
Cohance Lifesciences (wholly owned by Advent) was formed in Nov'22 to create a CDMO and API platform by the combining of three Advent portfolio companies – RA Chem Pharma, ZCL Chemicals and Avra Laboratories. Cohance's two business units, CDMO and API+, cater to development and manufacturing for pharma and specialty chemical innovators, and leading global generic companies with complex product requirements, respectively. It has seven manufacturing facilities.

The merger of Suven Pharma and Cohance Lifesciences would create a potentially leading CDMO + API player.

Post the merger becoming effective, shareholders of Cohance shall be issued shares of Suven at the ratio of 11 shares of Suven for every 295 shares of Cohance, based on the swap ratio. Advent entities shall own ~66.7% and the public shareholders would hold ~33.3% of the combined entity (pre-ESOP dilution).

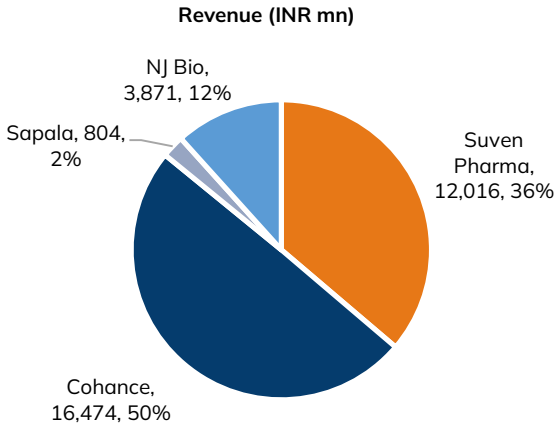
The overall transaction is expected to conclude by Q1FY26, subject to receipt of all relevant shareholder and regulatory approvals.

Exhibit 6: Suven standalone revenue (FY24)



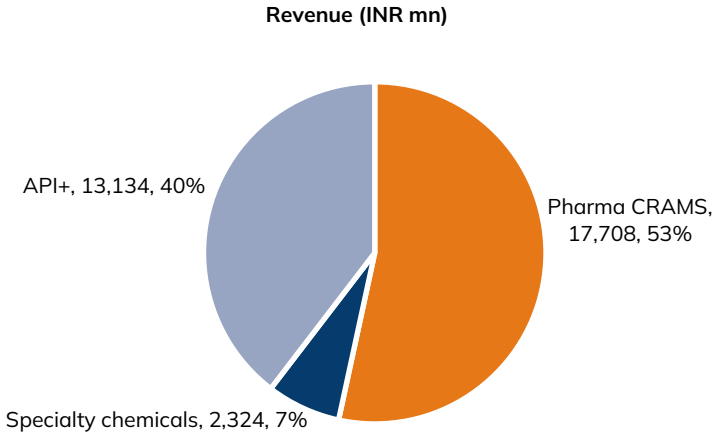
Source: I-Sec research, Company data

Exhibit 7: Combined entity revenue (FY26E)



Source: I-Sec research, Company data

Exhibit 8: Combined entity revenue split by business (FY26E)



Source: I-Sec research, Company data

Suven's business segments

Suven is a CDMO-focused enterprise with expertise in custom synthesis, process R&D, scale-up, and contract manufacturing of intermediates, APIs, and formulations. It possesses the infrastructure and capabilities to partner with its clients throughout a product's life cycle – from route scouting and development to commercial manufacture. It specialises in cyanation and heterocyclic chemistry, such as pyrimidines, quinolones, thiazoles, and imidazoles. It has demonstrated proficiency in carbohydrate and chiral chemistry, covering tetrahydrofurans, amino acids, and sulfoxides.

Suven's business operations are strategically segregated into three segments – CDMO (Pharma), CDMO (Specialty Chemicals) and Formulations.

CDMO (Pharma): Suven supports large global pharmaceutical companies in their R&D efforts by developing and supplying intermediates. In FY23, the CDMO business in pharma reduced by ~10% due to revenue from Covid-19-related molecules in FY22, which were not repeated in FY23. Delay in clinical trials due to impact of pandemic led to stagnation in number of molecules. However, in FY24 it saw a trend reversal with big pharma contributing a larger share of drugs to the overall pipeline. It supplies intermediates on a commercial scale for five molecules to clients based in the US and EU. Further, it has five molecules in Phase-3 clinical trials. It aims to double the sales of its pharma CDMO business over the next five years while maintaining industry-leading EBITDA margins.

CDMO (Specialty Chemicals): Suven develops intermediates for global agrochemical majors. Revenue from this vertical grew by 15% YoY in FY23, owing to a healthy volume offtake for inventory building. In FY24, the agrochemical sector has experienced headwinds owing to the de-stocking and price adjustments.

Formulation and other services: This piece combines revenue from three sub-segments – 1) technical and analytical services; 2) royalty fee for a commercial formulation; and 3) formulation development as sales.

Exhibit 9: Phases of new drug development

	Phase I trials	Phase II trials	Phase III trials	Filing/ registration	Phase IV trials during commercial manufacturing
	8-10 years				
Duration	~2 years	~3 years	~3 years	~1.5 years	NA
Objectives	Test safety in humans Understand metabolism interactions	Generate proof of efficacy Determine optimal dosage for Phase III	Test efficacy at large scale Develop dosage regime Define long-term safety profile Generate data required for registration	Compile and submit dossier to Health Authorities (HAs) to obtain commercialization approval Answer deficiency letters	Widen spectrum of patients and indications Monitor long-term safety profile and pharmaco-economics
Subjects and settin	20-100 healthy volunteers tested in dedicated facilities	100-300 patients[1] done at limited number of physician sites	300-10,000 patients[1] spread across many sites / countries	–	300+ patients[1]

The ultimate goal of these activities is to prove the therapeutic and potential market value of the drug

Source: Company data, I-Sec research

Exhibit 10: Suven has expertise in supplying KSM's and intermediates for NCE drugs

End to end pharmaceutical value chain	Discovery	Development	Manufacturing	Third party logistics	Commercial services
Pharma manufacturing and distribution value chain	Key starting and regular starting materials	Intermediates	Active Pharmaceutical Ingredients (API)[1] production	Final Dosage Form (FDF) production	Packaging
Objectives	Starting materials for API production	Precursor to APIs	Combining API with other materials to make into stable and consumable product	Combining API with other materials to make into stable and consumable product	Placing product into packages (e.g., blister packs, vials) and preparing for delivery

Source: Company data, I-Sec research

Suven offers a full-range of CDMO services for small-molecule APIs and intermediates to global innovators, collaborating at every stage of their NCE programs from concept to commercialisation.

Within development and manufacturing, phases of development are characterised by different lengths and objectives. The company receives requests from customers in phase-1. In phase 1 and pre-clinical, they generate the molecule in the required time. Once the molecule is active and in Phase-2, Suven conducts CGMP activities wherein the molecule is thoroughly evaluated and validation is performed. In Phase-3, Suven analyses the impurity profile in each stage. Further it compiles and submits the dossier to obtain commercialization approvals. It conducts Phase IV trials during commercial manufacturing which is across a wide spectrum of patients and indications.

Exhibit 11: Phases of development depth and width of chemistry capabilities (30+ Reactions Toolbox) – small-molecule

	Reaction	Lab scale	Pilot scale	Commercial
1	Grignard reaction			
2	Hydrogenation using Pd-C, Pt/c, Rh/c and Raney-Ni			
3	Reaction at -70°C to +200°C			
4	Flow chemistry			
5	C-C Bond Formation: Suzuki coupling, Heck coupling, Sonogashira coupling, Negishi coupling and Kumada coupling			
6	C-N Bond Formation: Buchwald chemistry			
7	Organoborane chemistry			
8	Wittig reaction			
9	Nitration			
10	Oxidation: $Na_2S_2O_8$, $NaIO_4$, ruthenium catalyst			
11	Epoxidation reaction			
12	Halogenation reaction			
13	Formylation			
14	Cyclo-condensation			
15	Cyanation			
16	Condensation			

	Reaction	Lab scale	Pilot scale	Commercial
17	Amidation			
18	Acylation and Alkylation			
19	Carbonylation			
20	Enzymatic reaction: KRED etc			
21	Mitsunobu reaction			
22	Chiral separation by resolution			
23	Asymmetric synthesis			
24	High pressure (1 torr), Metal catalyzed Birch reductions, Diborane , LAH, DIBAL DIBAL-H, catalytic, $NaCNBH_3$ and Vitride, 2-MethylPyborane etc			
25	Reductions – Catalytic, Metal hydride			
26	Chiral amine synthesis			
27	Chiral alkylation			
28	Enzymatic resolution			
29	Ionic liquids			
30	Deuterated chemistry			
31	OLED chemistry			

Source: Company data, I-Sec research

Exhibit 12: State-of-the-art R&D centre at Genome Valley, Hyderabad; spans ~25,000sq.ft.



Source: Company data, I-Sec research

Cohance Lifesciences

Cohance is one of India's leading and diversified CDMOs and merchant API platforms, distinguished by its well-invested assets and complex chemistry capabilities. This includes camptothecin derivatives and acetylene compounds. Cohance (wholly owned by Advent) was formed in Nov'22 to create a CDMO and API platform by combining three Advent portfolio companies – RA Chem Pharma, ZCL Chemicals and Avra Laboratories.

RA Chem Pharma was founded in 2003 with its API manufacturing unit located at Jagayyapet. It established the Clinical Research and Bio Studies department in 2006 and started formulations manufacturing at Nacharam in 2007. Later, it setup pharmaceutical formulation intermediates manufacturing and a second API manufacturing unit at Atchutapuram in 2018. Advent acquired RA Chem in 2020, marking Advent's foray into API platform. It acquired ZCL Chemicals in 2021 and Avra Laboratories in 2022; thus, forming Cohance by combining the three entities.

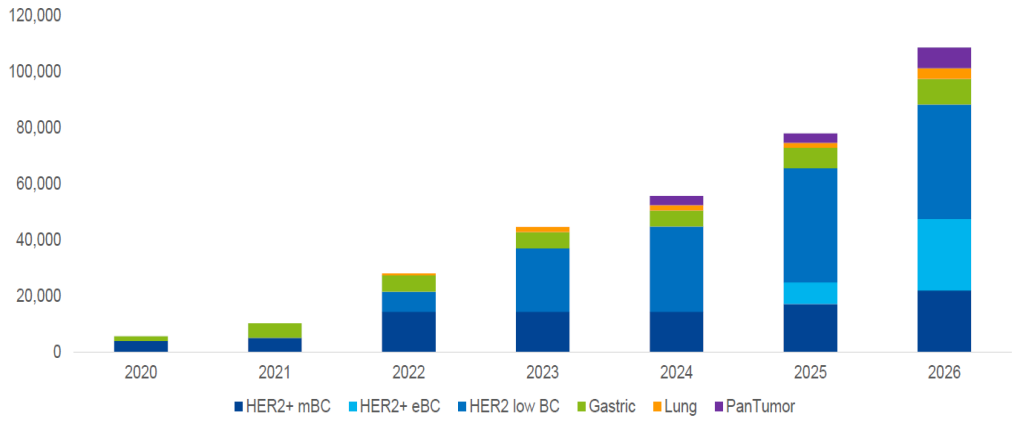
Cohance is the first company in the world to develop a synthetic route for large-scale production of its proprietary camptothecin based payload platform. It has leadership in S-Trione - a key intermediate in camptothecin derivatives and is one of the largest commercial suppliers of CPT derivatives like exatecan and SN-38.

Camptothecin is a natural compound derived from the camptotheca tree, known for its anti-cancer properties. Camptothecin-based payloads are promising anti-tumor agents used in antibody-drug conjugates (ADCs) that target DNA topoisomerase I, inhibiting DNA synthesis and leading to cell death.

Currently the USFDA has approved only two ADCs using campthothecin based payload viz Enhertu (trastuzumab deruxtecan) of AstraZeneca/Daiichi and Gilead's Trodelvy (sacituzumab govitecan).

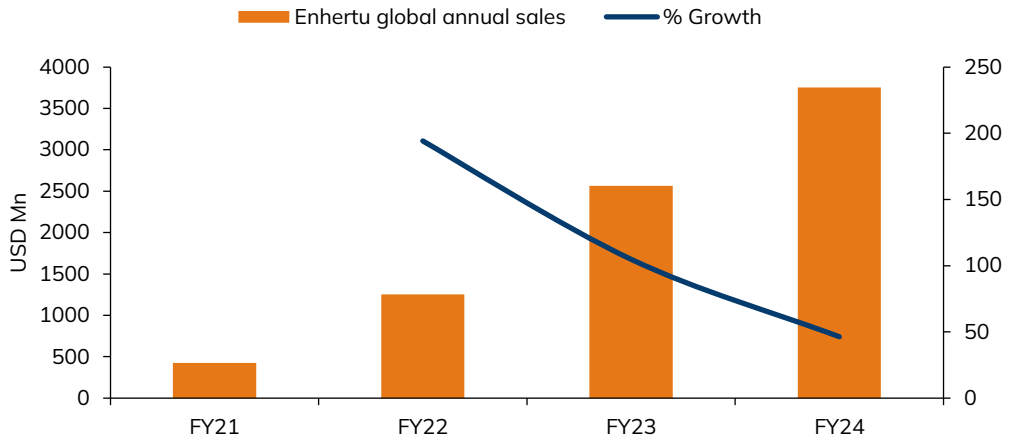
Enhertu is a specifically engineered HER2-directed DXd ADC – discovered by Daiichi Sankyo and being jointly developed and commercialised by AstraZeneca and Daiichi Sankyo. Enhertu continues to deliver pioneering results for a HER2-directed medicine across many different types of cancer. In patients with HER2-low expression, confirmed objective response rate (ORR) was 56.5% for Enhertu versus 32.2% with chemotherapy. In the overall trial population, confirmed ORR was 57.3% for ENHERTU versus 31.2% with chemotherapy and in patients with HER2-ultralow expression the confirmed ORR was 61.8% vs. 26.3%, respectively. Enhertu is envisaged to retain its dominant market position in ADCs and reach global sales of USD 11.2bn by 2030.

Exhibit 13: Eligible opportunity for Enhertu (US+EU+UK+JPN)



Source: I-Sec research, Company data
Note: eBC, early breast cancer; HR, hormone receptor; mBC, metastatic breast cancer; TNBC, triple-negative breast cancer. Calendar year

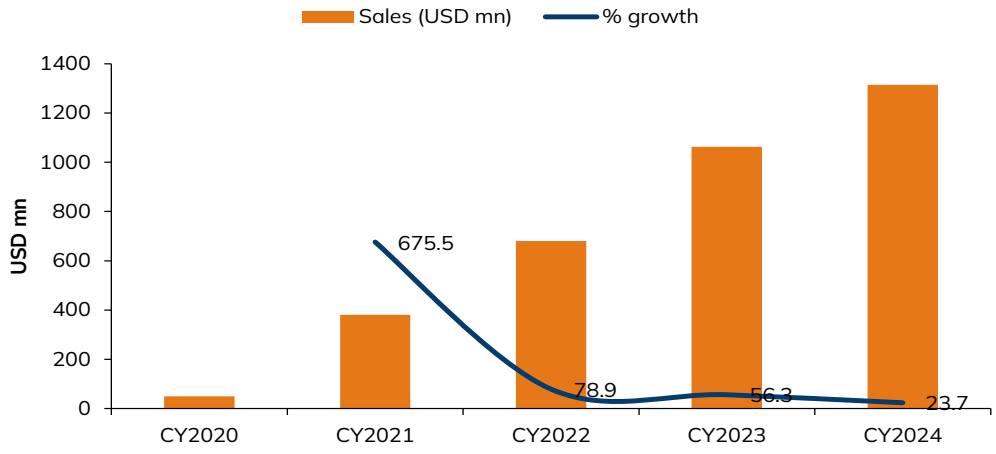
Exhibit 14: Enhertu global annual sales reached USD 3.8 bn in FY24



Source: I-Sec research, Company data

Trodelvy is a targeted anti-cancer treatment used to treat types of bladder cancer and breast cancer that are locally advanced or have spread to other parts of the body (metastatic). Trodelvy works by targeting and binding to a protein (Trop-2) on the cancer cells and then delivering an anticancer medicine directly into the cancer cells. This kills the cancer cells, so there is decreased tumour growth, and may cause fewer side effects. Trodelvy FDA approval was originally received on 22 Apr'20. Now, Trodelvy FDA approval is for metastatic triple-negative breast cancer (mTNBC), HR+/HER2- metastatic breast cancer in certain adult patients, and for metastatic urothelial cancer (MUC). However, Gilead plans to voluntarily withdraw the accelerated approval for Trodelvy in metastatic urothelial cancer as did not meet the primary endpoint of overall survival (OS) in the intention-to-treat (ITT) population. As per GlobalData Trodelvy sales to surpass USD 3bn by CY29.

Exhibit 15: Trodelvy had clocked sales of USD 1.3bn in CY24



Source: I-Sec research, Company data

The Company's ADC pipeline is progressing well, with the two commercial products continuing to show strong growth driven by therapy expansion and new market registrations. Additionally, one product has advanced to early Phase-3.

Exhibit 16: Cohance's manufacturing units

Plant name	Site details	Plant details	Capacity	Accreditations
API Unit-I Jaggayapet	Total area: 21.46 acres (86,850sq. mtr.)	API Manufacturing Unit	522KL capacity	USFDA, KFDA, EDQM, PMDA – Japan, COFEPRIS ANVISA, MOH – Russia, CDSCO, WHO GMP
API Unit-II Atchutapuram	Total area: 10 acres (40,460sq. mtr.)	API Manufacturing Unit	142KL capacity	WHO GMP
API Unit-III Ankaleshwar	Total area: 8.79 acres (35,600sq. mtr.)	GLP practise API and Custom R&D practices	207KL capacity (additional 215Kl in progress)	USFDA, WHO GMP, EDQM, PMDA,COFEPRI,KFDA, EU GMP
API Unit-IV Nacharam	Total area: 6 acres (24,280sq. mtr.)	API Manufacturing Unit with Oncology facility	41KL capacity	USFDA, WHO GMP, GMP
API Unit-V Parwada	Total area: 20.39 acres (82,520sq. mtr.)	API manufacturing unit	129KL capacity (additional 60Kl in progress)	-
FDF/PFI Unit I-NACHARAM	Total area: 1.15 acres (4,670sq. mtr.)	Manufacturing of pellets and finished formulations	FDF: 250mn Oral Solid Dosage (OSD) p.a. PFI: 180MT p.a.	USFDA, WHO GMP, MOH – RUSSIA, PMDA, DCGI, SFDA, TFDA, MHRA HEALTH CANADA Greece NOM, Uganda NDA
FDF/PFI Unit II-JADCHERLA	Total area: 2.07 acres (8,390sq. mtr.)	Pellets Manufacturing Unit	PFI: 480MT p.a.	WHO GMP

Source: Company data, I-Sec research

Sapala Organics

Sapala is a Hyderabad-based CDMO focused on oligo drugs and nucleic acid building blocks. It was founded in 2005 by Dr. P Yella Reddy, who has extensive experience in nucleic acid chemistry and formerly worked as Director (R&D) with Aisin Cosmos R&D Co. Ltd (Toyota Group) in Japan and India for 20+ years.

Sapala's customers include innovators, CDMO and diagnostics company across US, EU and Japan, partnering on their NCE programs across project lifecycle. It has a strong presence in Japan accounting for ~20% over FY21–24 sales. It reported sales of INR 670mn adjusted EBITDA margin of ~45% in FY24.

Sapala has more than 250 employees, including a 100-member R&D team with 20 PhDs. Its R&D lab and pilot manufacturing facility has a built-up area of 6k sq.mtr. in Hyderabad (near Cohance's existing units) with 17 fully-equipped labs. Sapala was the first Indian CDMO to successfully complete a full-spectrum of nucleic acid project (R&D to clinical trial) for an international client. It operates 18 state-of-the-art R&D laboratories, enabling innovative research in medicinal and nucleic acid chemistry.

Suven aims to leverage Sapala's expertise in the high-growth oligonucleotide and nucleic acid building blocks sector, particularly in advanced oligo technologies and complex amidite and nucleoside building blocks. This acquisition would help Suven establish its expertise in oligonucleotide chemistry, aiding it to expand into high-growth nucleic acid therapeutic.

Exhibit 17: Peer capabilities in modified and specialised building blocks (incl. GalNAc)

		Indian Cos		Global Peers			
	Product Category	Sapala	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
	Modified Amidities	◕	◕	●	●	●	◕
Specialised amidies	Tricyclo DNA	●	○	○	○	○	○
	Locked & Bridged Nucleic Acid	●	◑	●	◑	◑	◑
	FANA	●	○	●	○	○	◑
	Specialised Amdites-others	●	◔	●	◔	◔	◑
	GalNac	◕	◑	●	◔	◔	◔

○ to ● - low to high capacity

Source: Company data, I-Sec research

Acquisition details

Suven entered into an agreement with Sapala to acquire controlling stake initially with acquisition of 67.5% equity stake in Sapala (i.e., 51% of the share capital on a fully diluted basis) for consideration of ~INR 2,295mn; and would acquire the remaining equity stake a few months post FY26–27, as per the agreement dated 13 Jun'24 subject to business performance over the next three years at 12–15x LTM EBITDA. The overall EBITDA multiple for the 100% business will likely be in the range of 13–15x EBITDA multiple. The deal is expected to be financed through cash reserves/internal accruals. Post completion, Suven shall own 100% of the share capital of Sapala on a fully diluted basis. Dr. P Yella Reddy (existing promoter) would continue as CEO for the next few years and shall be associated with Suven as a strategic advisor for the Japan market post creation of merged entity.

Business synergy

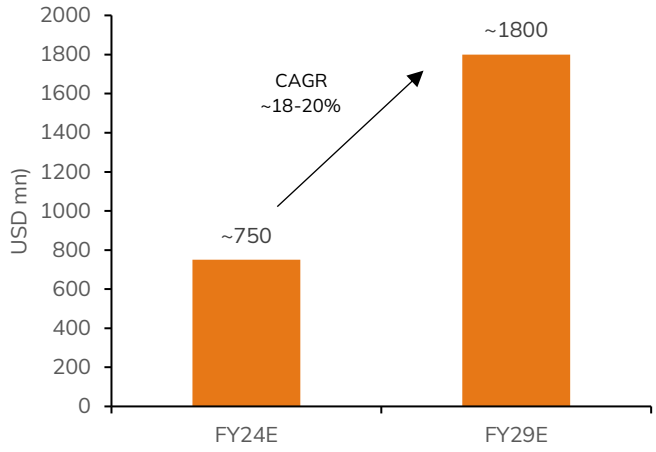
Suven aims to leverage Sapala's expertise in the high-growth oligonucleotide and nucleic acid building blocks sector, particularly in advanced oligo technologies and complex amidite and nucleoside building blocks.

This acquisition shall help Suven establish its expertise in oligonucleotide chemistry, aiding it to expand into high-growth nucleic acid therapeutic segments along with the opportunity to sell nucleic acid chemistry capabilities to Suven's innovator customers. It would also help Suven leverage Sapala's strong presence in Japan. Sapala's access to Suvens GMP accredited manufacturing capabilities shall help existing customers and win larger businesses.

Sapala's expertise lies in mostly constant nucleic acid chemistry, cyclic nucleic acid chemistry, and phosphoramidite. Suven is preparing for the GMP manufacturing of amidites; it expects the facility to be ready by CY26. Sapala is in talks with customers in the discovery and early development phase and looking to progress to GMP scale.

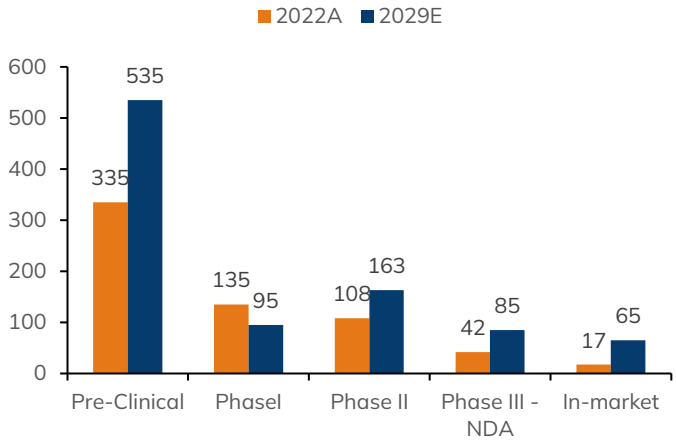
Oligo is a rapidly growing and niche space and the oligonucleotide building block segment currently has 17 approved drugs, with a very healthy pipeline that is expected to quadruple the approved drugs by 2030. Nucleic acid and Oligo building blocks has total addressable market (TAM) of ~USD 750mn, which is expected to grow at ~20% CAGR as per the company led by increasing R&D spend, big pharma collaborations and investment in Oligo capacities. The oligo pipeline is expected to increase due to emergence of oligo focussed biopharmas and increasing interest from large pharma. Nucleic acid needs strong chemistry expertise of Sugar, Heterocyclic & Phosphorylation, at competitive purity and yields. Sapala's key focus area of specialized building blocks is even more complex (15+ steps) and acts as a significant entry barrier. Its portfolio spans across oligo drugs amidites, molecular diagnostics, mRNA, GalNAc, etc.

Exhibit 18: Nucleic acid & Oligo building blocks is expected to grow 18-20% over FY24-29E



Source: I-Sec research, Company data

Exhibit 19: Oligo pipeline to witness huge jump by FY29E



Source: I-Sec research, Company data

NJ Bio Inc

NJ Bio is a premier ADC/XDC-focused CRDMO that offers cutting-edge solutions across the ADC value chain. It has end-to-end ADC chemistry capabilities (P-L1 synthesis, bioconjugation, bioanalytical services). It also has capabilities in the broader XDC segment (radio conjugates, oligo conjugates, peptide conjugates etc) and mRNA. It was founded in 2017 by Dr. Naresh Jain, a well renowned scientist in the ADC space, holding PhD from Boston University and a Post Doctoral Research Fellow at The Scripps Research Institute, California.

NJ Bio has served more than 150 customers and delivered over 500 projects in five years. It has an 80,000sq.ft. R&D and manufacturing facility in Princeton coupled with a highly talented pool of technical experts. It also has India operations with a 6,500sq.ft. space in Mumbai and ~40 employees involved in creating payload-linker library and R&D innovation work.

NJ's sales have grown from USD 7mn in CY21 to USD 32mn in CY24, growing at a CAGR of ~70%. It has an EBITDA margin of ~10% in CY24. It has further scope for margin expansion as the business expands and operating leverage drives the EBITDA margin to ~20% in CY25.

Exhibit 20: State-of-the-art facility in Princeton

Source: Company data, I-Sec research

Acquisition details

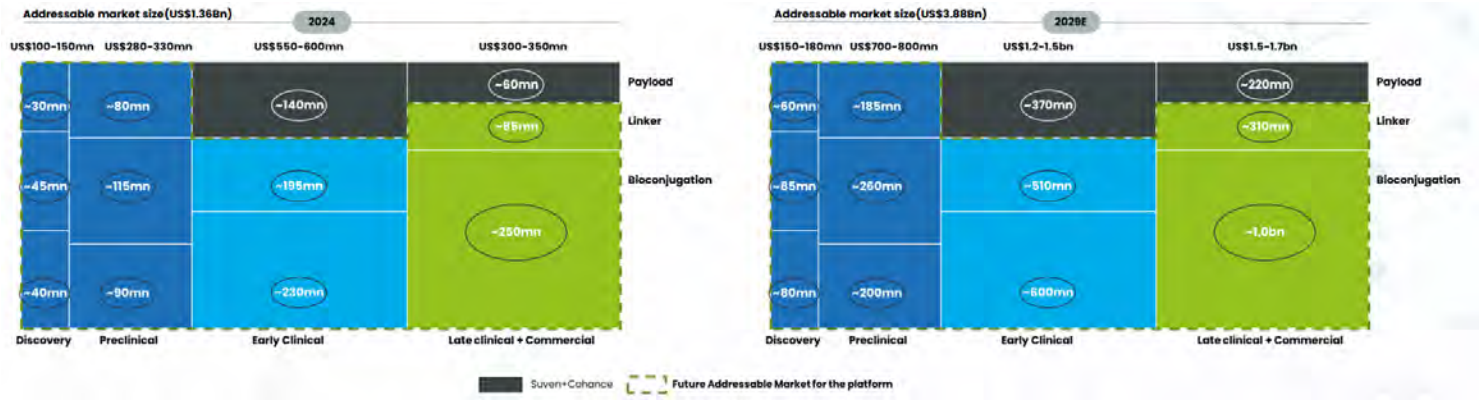
Suven completed acquisition of 56% equity share capital of NJ Bio, Inc. on 20 Dec'24 for a consideration of USD 64.4mn, which includes USD 15mn of primary equity infusion which shall mainly be used for GMP expansion at the existing Princeton facility. The acquisition was funded entirely through internal accruals. The deal is valued at a low-to-mid teens multiple of CY25 projected EBITDA, based on growth outlook. The deal also has Call/Put Option arrangement to acquire balance stake after five years. Dr. Jain would continue to lead NJ Bio in the next phase of growth, along with the senior leadership group and a skilled scientific workforce.

Business synergy

The ADC outsourcing market is valued at USD 2.7bn and is projected to grow at ~25% annually. This acquisition aids Suven in extending its end-to-end CRDMO leadership in ADCs through its ability to support global pharma from early-stage development to full-scale commercial manufacturing, as well as across the entire value chain covering payload-linker synthesis and bioconjugation; while NJ bio benefits from the ability to do GMP manufacturing of payload. It also expands Suven's addressable market size in ADC CDMO from ~USD 200mn to ~USD 1.4bn.

Further, it helps Suven build a global footprint, enabling onshore capabilities in US and capturing a larger share of the high-growth ADC segment. For Suven's existing clients for its payload capabilities; NJs linker/bioconjugation capabilities can be leveraged. The switch is faster for early-stage products while later stage products would take 3–6 months. Supply at a commercial scale to existing and new customers shall further propel growth further for Suven to see dominance in the CDMO play.

Exhibit 21: Potential synergies from acquisition of NJ bio



Source: Company data, I-Sec research

Exhibit 22: Board of directors and management team

Name	Designation	Qualification
Vivek Sharma	Executive Chairman	He has been appointed as the Executive Chairman of Suven, effective September 20, 2024, and will oversee the company's overall business operations, driving growth and strategic direction. With over 25 years of experience in life sciences and the financial industry, he brings a unique blend of expertise in pharmaceutical services, data analytics, and artificial intelligence (AI). His leadership philosophy focuses on aligning the interests of investors, customers, and employees to create significant business value. He holds an Executive MBA from the Thunderbird School of Global Management and is a Chartered and Certified Public Accountant (CPA).
Dr. V. Prasada Raju	Managing Director	He is the Company's Managing Director, appointed on 29th September 2023. He is also CEO and MD of Cohance Lifesciences Ltd. Prior to this he has served as an Executive Director at Granules India Ltd., where he played a key role in driving growth strategy, managing the product portfolio, overseeing scientific and regulatory affairs, handling intellectual property matters, and leading new business initiatives. Moreover, he was instrumental in establishing R&D and Greenfield projects within the company. As part of his responsibilities, he served on the Boards of Granules Omnichem Pvt Ltd (Vizag, India), Granules Pharmaceuticals Inc. (DC, USA), and USpharma Ltd (FL, USA). He has an impressive academic background including a PhD in chemistry, a PG Dip in patent law, and specialised training in material sciences at IIT, Chicago, USA. He is also an alumnus of the Senior Management Program at IIMC.
Mr Pankaj Patwari	Non-Executive Director	He was appointed as non-executive director of the Company, with effect from 29th September 2023. He is a Chartered Accountant by training and holds an MBA from the Indian Institute of Management (Lucknow). As Managing Director - of Advent India PE Advisors Private Limited, he has managed Advent's investments in Manjushree Technopack Limited and Bharat Serums and Vaccines Limited (BSV). He has also been a Director at Manjushree Technopack Limited and Gokaldas Intimatewear Private Limited.
Dr Sudhir Kumar Singh	Chief Executive Officer	He has been appointed as the CEO on 29th September 2023. His academic background includes a PhD in Medicinal Chemistry from one of India's premier research organisations, Central Drug Research Institute, followed by a post-A doctoral fellowship in the USA and a faculty member at Rutgers University, New Jersey, with over three decades of experience in the pharmaceutical and biotech industry. He has served as the Chief Operating Officer at Aragen Life Sciences Ltd. He led a team of 2000 scientists in India's largest Contract Development and Manufacturing Organization (CDMO). His strategic guidance and exceptional project management have driven the organisation's growth and success.
Gaurav Bahadur	Chief Human Resources Officer	He is the Chief Human Resources Officer of the company. He was appointed on 29 September 2023. He is responsible for overseeing and managing various aspects of the human resources function within the company. He has held leadership roles in renowned companies such as Vodafone Essar, Yahoo! India, and Philips India. His transformative tenure at Sanofi India, where he spearheaded strategic HR initiatives, showcases his expertise in building performance-driven cultures. He holds a master's degree in Personnel Management from Symbiosis Institute of Business Management and a bachelor's degree in chemistry from St. Xavier's College, Mumbai.
Declan Ryan	Chief Commercial Officer	He brings 25+ years of pharmaceutical and biotech expertise, with a proven track record as a business development and growth expert. A Ph.D. alumnus of the University of Lausanne, with postdoctoral research at Yale and Pittsburgh, he joined Suven from distinguished roles at WuXi, Shanghai ChemPartner, AMRI, Johnson & Johnson, and Novartis.
Himanshu Agarwal	Chief Financial Officer	He is the company's Chief Financial Officer was appointed on the 2nd of Jan 2024. He is responsible for overseeing and managing Finance, IT, Legal, Secretarial and Investor Relations. He brings with him 29 years of professional experience and prior to joining Suven, he held leadership roles in ICI India, Astra Zeneca Pharma, Akzo Nobel India, Huhtamaki Oyj and Bennett, Coleman & Co. Ltd. He brings broad Global and Indian experience in Finance, M&A, Strategy, Investor relations, operations and technology enablement in coatings, chemicals, Pharma, Packaging and Media Industries. He is a rank-holder Chartered Accountant, a company secretary, a cost and management accountant and has been awarded best CFO by the Institute of Chartered Accountants of India.
K Nagendra Babu	Chief Quality and Compliance Officer:	He has 25+ Years of comprehensive experience (Finished Dosage and APIs) in the fields of Global Audit and Compliance, Vendor Management, Third Party Management, Quality Operations (QA, QC, DQA & CQA), Manufacturing of Finished Dosage, Manufacturing of APIs and in conducting Quality Audits of varied suppliers. Dr. K. Nagendra Babu comes with experiences gained from Mylan Pharmaceuticals (Viatris), Gravity Pharmaceuticals Private Limited, Granules India Limited, Mylan Pharmaceuticals (Mylan Inc.) GSK Pharmaceuticals Limited, Dr. Reddy's Laboratories and Aurobindo Pharma Limited. He along with his Doctorate in Chemistry and the numerous trainings has undergone, has a robust understanding of various quality operations, regulatory affairs and GxP audit processes. He will work closely with the Quality Operations, Regulatory Affairs and the Operations team in designing and implementing best-in-class quality and compliance standards and systems.

Source: Company data, I-Sec research

Exhibit 23: Advisory Council

Name	Designation	Qualification
Annaswamy Vaidheesh	Vice-Chairman	Mr. Vaidheesh is a successful senior business leader from the most admired Fortune 100 companies with more than 35 years of diverse experience in the healthcare and FMCG Industry, including at Johnson and Johnson, Pfizer and GSK. He has proven expertise in general management with a strong background in market creation and leadership development. Further, he has rich experience in building strong leadership for brands/franchises across varied categories (healthcare and FMCG) and in multi-grid and multi-cultural Locations in the Asia-Pacific region. Additionally, he has served as an operating partner with Advent International.
Venkateswarlu Jasti	Advisor	Mr. Jasti is a highly accomplished individual with a strong background in pharmacy and business. He has pioneered CRAMS business model in India. He founded Suven Pharma Ltd and Suven Life Sciences Limited and successfully led the company since its inception in 1989. Mr Jasti has also played vital roles in forming the A.P. Chief Minister's task force for Pharma, the establishment of Pharma City in Vishakhapatnam, and the creation of PHARMEXCIL. He has held significant leadership positions in industry associations such as the Indian Pharmaceutical Association and the Bulk Drug Manufacturers Association of India. He holds a postgraduate degree in Pharmacy from Andhra University, Visakhapatnam, and St. John University, New York, specializing in Industrial Pharmacy.
Stefan Stoffel	Advisor	Mr Stefan Stoffel is an Advisor of the Company with effect from October 2023. He is a highly accomplished professional, holding a degree in engineering from Lucerne University of Applied Sciences and Arts (CH). With over 35 years of experience, he has demonstrated expertise in production engineering, plant operations, and supply chain management. His exceptional track record, coupled with his experience as the former COO of Lonza, highlights his ability to manage complex operations and successfully navigate the demands of the industry. He has held significant roles throughout his career, including Head of Lonza Pharma & Biotech Strategic Growth Investments and Ibex Solutions, Head of Lonza Pharma & Biotech Operations, and General Manager of Lonza Chemical Operations Business Unit.
Abhijit Mukherjee	Advisor	Abhijit Mukherjee has joined Advisory council effective October 2023. A chemical engineer from IIT-Kharagpur, he superannuated from Dr. Reddy's in March 2018 after playing varied senior roles there for 15 years; the last stint at Dr. Reddy's was as COO from 2014 to 2018. Mr. Mukherjee had worked with Hindustan Unilever Ltd for 13 years and with Atul Limited for nine years. Apart from serving on the board of Bharat Serums and Vaccines Limited and ZCL Chemicals Limited, Mr. Mukherjee is on the board of ICE in Milan, Italy.

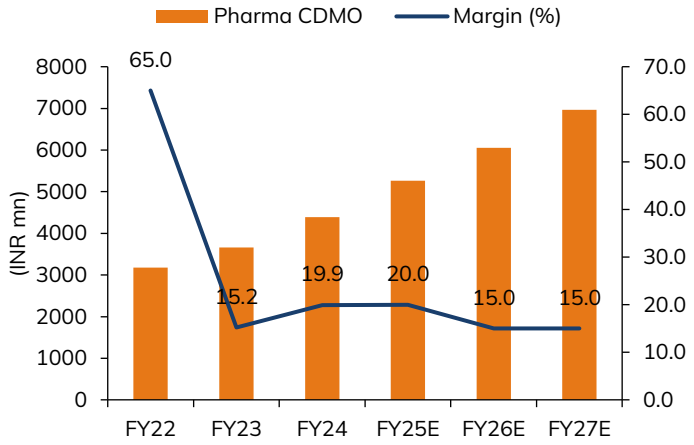
Source: I-Sec research, Company data

Investment Rationale

Merger with Cohance to improve scale and capabilities

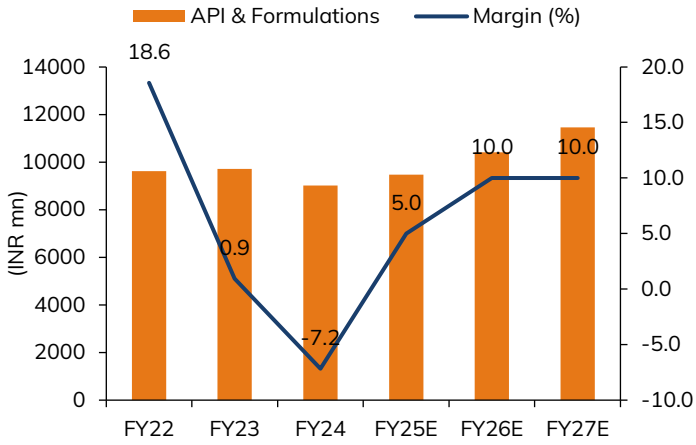
Merger with Cohance is in the final stages and is likely to be completed by Q1FY26. In API, it has a focused portfolio and market leadership in low-mid volume specialty APIs that face low competition. It ranks among the top three players in global market share across most top molecules and its competitive cost position coupled with backward integration is likely to help maintain their leadership position. The API downcycle is reversing and the company expects to be back on a double-digit growth trajectory. In H1FY25, Cohance invested INR 1.06bn on capex, of which INR 415mn is allocated towards a new facility in Vizag, an intermediate capacity (bought from Avra Synthesis) and the capitalisation of Ankleshwar Block-5. It has a strong order book for H2FY25 and FY26, and management expects decent growth in Cohance's CDMO business.

Exhibit 24: Improved penetration in key intermediates to drive growth



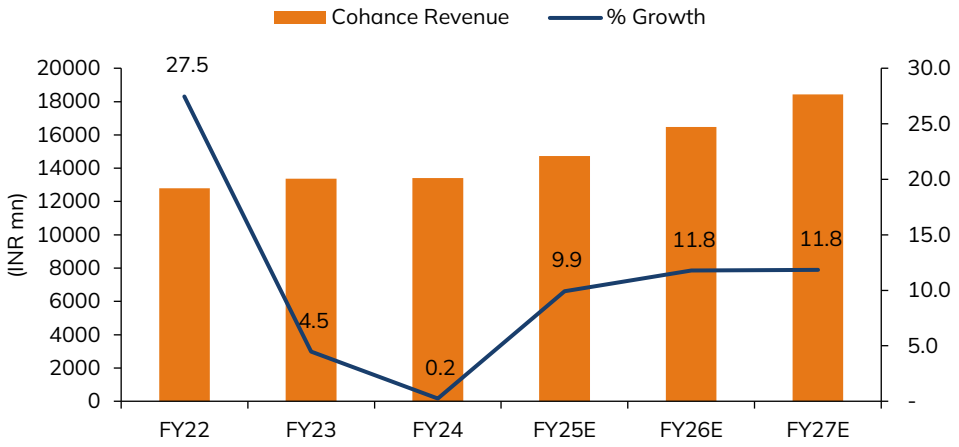
Source: I-Sec research, Company data

Exhibit 25: Reversal of API downcycle to aid growth



Source: I-Sec research, Company data

Exhibit 26: Cohance revenue to grow at a CAGR of ~11% over FY24-27E



Source: I-Sec research, Company data

Cohance + NJ provides Suven an edge in ADCs

Integration of NJ Bio's ADC chemistry capabilities across payload-linker synthesis, bioconjugation and bioanalytical services with Suven's leadership in payload chemistry shall help establish Suven as an end-to-end CDMO partner from drug discovery to commercialisation.

Suven has leadership in S-Trione, a key intermediate in camptothecin derivatives, and is uniquely positioned as a pureplay payload supplier covering 75% of payload market along with supplying two commercial ADCs. Camptothecin derivatives are ideal for ADCs as their versatile chemistry supports ADC stability and efficient payload release. NJ specialises in leveraging the versatility of camptothecin derivatives to improve ADC stability and significantly enhance the therapeutic index.

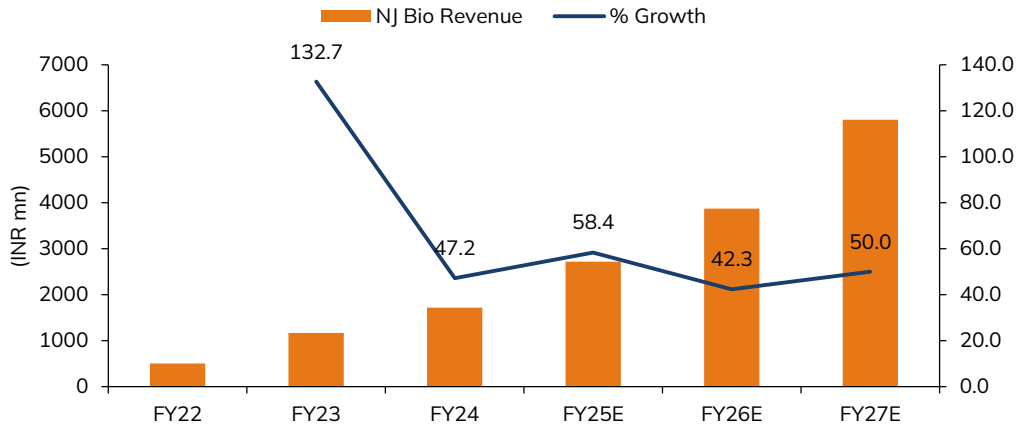
NJ's strong 500-plus linker database coupled with onshore capabilities in US would help Suven capture the high-growth ADC market. Outsourcing rate for ADC production is ~70% compared to ~34% in other biopharmaceuticals due to complex process. ADC/ XDC outsourcing market excluding Monoclonal Antibodies (mAbs) is expected to grow ~3x in the next five years from USD 1.4 bn in FY24 to USD 4bn in FY29E (Source: Frost & Sullivan, Feb'25).

Exhibit 27: Technical capabilities of Global CDMO peer group

technical capabilities of global and Indian peer group	Suven	Lonza	Wuxi	Anthem	Piramal	Divis	Sai Lifesciences
Specialised technologies – small molecules							
HPAPI – Cytotoxic Drugs	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Controlled Substance	Strong	-	-	-	-	-	-
Flow Chemistry	Emerging	Strong	Strong	Strong	-	-	-
Antibody-Drug Conjugates	Strong	Strong	Strong	Strong	Strong	-	-
PROTACs (Protein Degraders)	Strong		Strong	Strong	Emerging	-	-
Oligonucleotides and Amidites	Strong	Strong	Strong	Strong	-	-	Strong
Peptides	Emerging		Strong	Strong	Strong	Emerging	Strong
Fermentation	-	Strong	Strong	Strong	-	-	Strong
Standard – small molecules							
Discovery	Emerging	-	Strong	-	-	-	-
Development	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Manufacturing	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Biologics/large molecules							
Monoclonal Antibodies and Recombinant Technology	-	Strong	Strong	Strong	Strong	Emerging	-
Cell and Gene Therapy	-	Strong	Strong	-	-	-	-

Source: Company data, I-Sec research

Exhibit 28: Fresh capacity investment and new projects to boost NJ's revenue growth

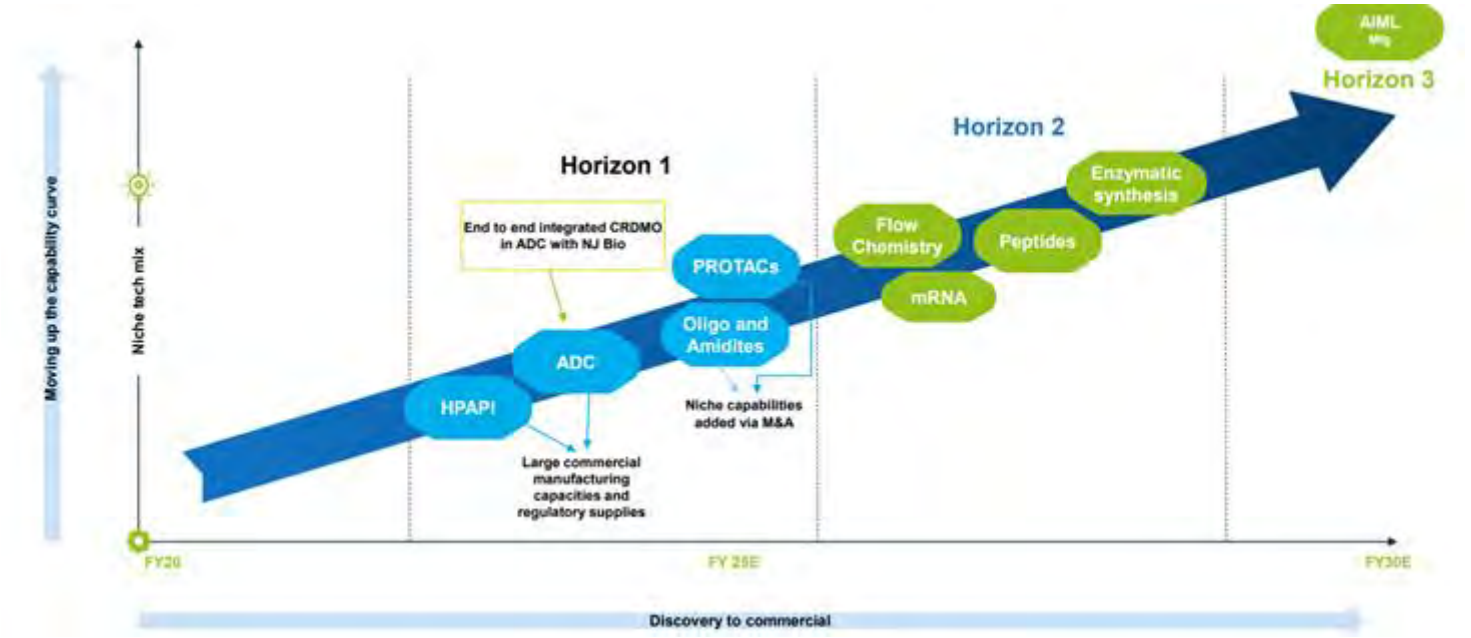


Source: Company data, I-Sec research

Targets to touch USD 1bn revenue by FY30

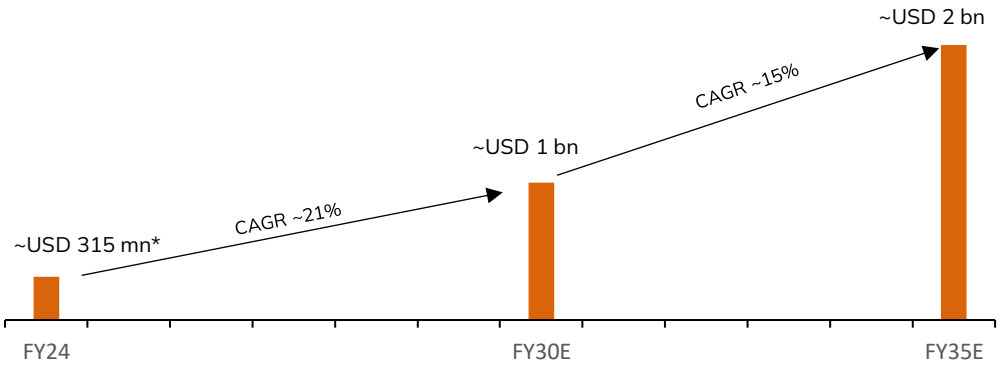
Under its Horizon-1 initiative, Suven has expanded its market presence in small molecules, ADCs, oligonucleotides and amidites and Protac. It has acquired these capabilities at reasonable valuations with the pending merger of Cohance at 19.2x FY24E EV/EBITDA while the 67% stake in Sapala was acquired at 15x trailing FY24 EV/EBITDA and NJ Bio at 3.1x CY24E EV/sales (pre-money). The company further aims to cement its footprint in flow chemistry, mRna, peptides and enzymatic synthesis under its Horizon-2 initiatives over the next few years. Management has also set a target of growing its revenues at a 27% CAGR over FY25-30 to USD 1bn by FY30 and USD 2bn by FY35 while CDMO revenue share is expected to rise from 60% (LTM Sep'24) to 80% in FY30 and 90% by FY35.

Exhibit 29: Further strengthening of capabilities on cards under Horizon 2



Source: Company data, I-Sec research

Exhibit 30: Management aspires for an over 6x jump in revenue over FY24-35E



Source: Company data, I-Sec research

Note: *LTM Revenue Sep'24 Suven & Cohance combined + Sapala proforma + CY24E NJ Bio proforma, INR 84.4/USD

Foray into oligonucleotides with Sapala

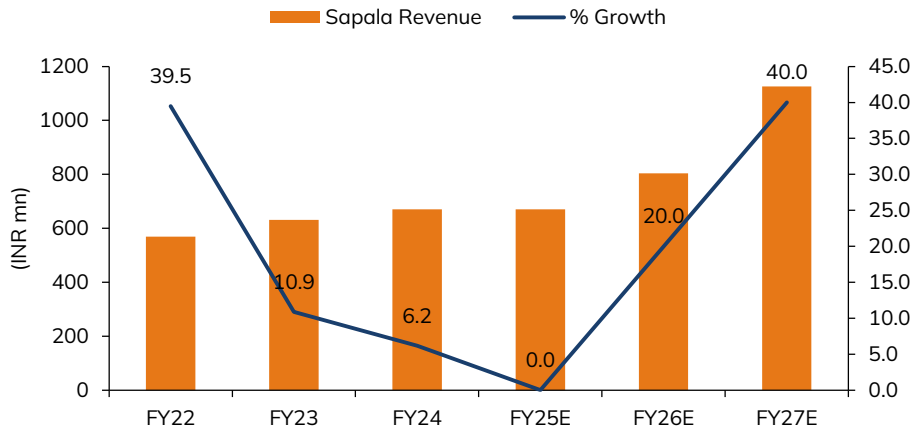
Acquisition of Sapala organics marked Suven's foray in Oligonucleotides. Sapala ranks among the few CDMOs globally who can supply complex building blocks for oligonucleotides. It is capable of synthesising a spectrum of modified amidites and nucleosides with excellent purity with high level of backward integration (15+ steps).

Sapala has a diversified innovator customer base (CDMO and diagnostic) with a strong Japan presence. It is the only supplier of Tricyclo-DNA amidites in the world and supplies multi-kilo scale synthesis of wide variety of GalNAc compounds to Innovators with highest purity profile.

Capacity augmentation: Investing in a cGMP facility to enhance capacity and drive R&D growth. Forward integrating to oligonucleotide drug substance manufacturing. Oligonucleotides market is expected to grow at a ~25% CAGR over FY24-29E as per the company. It is witnessing rising use in molecular diagnostics and clinical applications, resulting in increased investments from pharma and biotech companies thereby driving expansion.

Sapala's reported revenues were over INR 670mn and adjusted EBITDA margin of ~45% in FY24. Sapala currently has projects in early-to mid-stage development with a few in phase-1 of development. We expect meaningful synergies from the acquisition from FY27E.

Exhibit 31: Sapala revenue shall be aided by new order wins and better traction in existing business



Source: I-Sec research, Company data

Small molecules to drive traction in Suven's base CDMO pharma

Suven has a strong execution track record in NCE-based CDMO in pharma and specialty chemicals. NCE has high entry barriers, needs deep technical expertise and is a sticky business. Suven has a healthy mix of mid-phase to lateral-phase projects, including commercials along with few new customers. Clients focus more on strategic partnership than cost arbitrage. It currently has 16 commercial patented molecules and has ties with 14 of the top 20 innovators contributing >80% revenues.

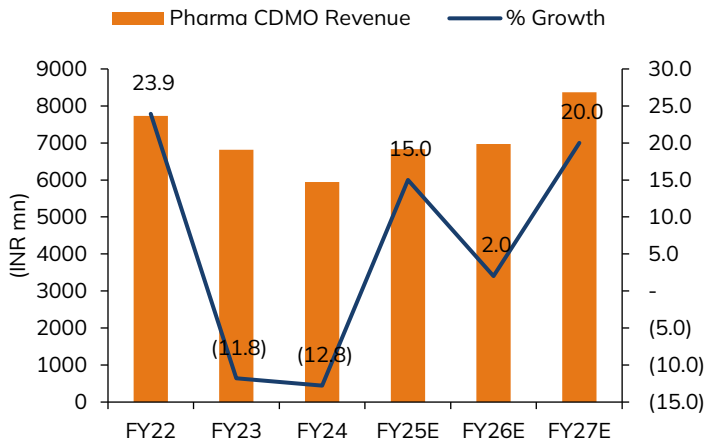
Its phase-3 pipeline includes nine molecules, translating into 15 intermediates and one molecule received positive readout in FY25. Further a non-ADC molecule, for which Cohance was supplying products, has received USFDA approval and management expects it to drive growth in the mid–long term. More than 90% of revenue comes from regulated markets such as US, Europe etc. Suven is witnessing a 2.2x increase in RFQs and its base CDMO business is generating strong operating cash flow with robust return ratios.

Exhibit 32: Outlook of the CDMO biz improving

Companies	Q3FY25 earnings call commentary
Lonza	Increased biotech funding and strong incoming requests for proposals indicate no decline in opportunities for Lonza.
Wuxi	As global demand for life saving and innovative drugs continues to grow, customer demand for our integrated services continues to grow
Divi's Lab	We are seeing several opportunities, RFPs, late life cycle management coming our way due to long term relationship with several customers.
Piramal Pharma	In terms of market outlook for our CDMO industry, while the overall biotech funding has improved over the previous year, it is just enough to replenish the biotech cash fund, but not enough to accelerate R&D spends. With the reduction in global interest rates, we expect the funding environment to further improve and drive order inflows, especially early-stage discovery and development orders. We continue to experience an increase in customer inquiries and RFPs driven by the customer needs to diversify the supply chain. However, the customer decision-making remains prolonged. Amidst current ongoing regulatory and geopolitical uncertainties, we see cautious optimism for the CDMO industry.
Syngene	We are seeing positive momentum in the CDMO division led by biologics.
Sai Lifesciences	We see strong demand across our CDMO business, as pharma and biotech companies seek cost-efficient, high-quality manufacturing solutions and supply chain diversification.
Laurus	We saw encouraging RFPs and continue to see signing an early to mid-stage projects involving complex chemistry

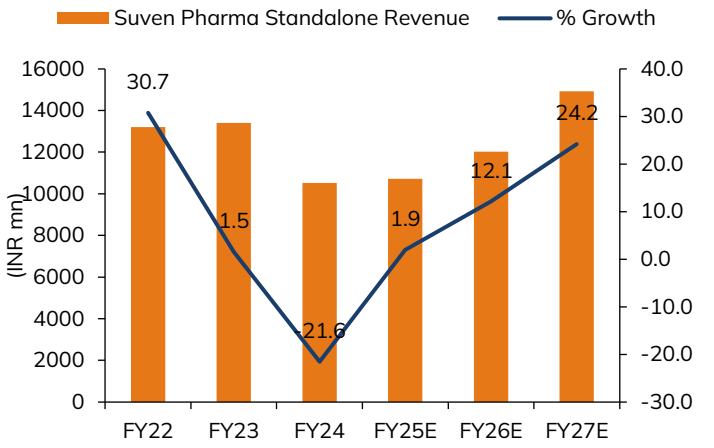
Source: I-Sec research, Company data

Exhibit 33: Standalone pharma CDMO biz of Suven to 11.9% over FY24-27E



Source: I-Sec research, Company data

Exhibit 34: Suven Pharma's standalone revenue is expected to grow 12.3% over FY24-27E



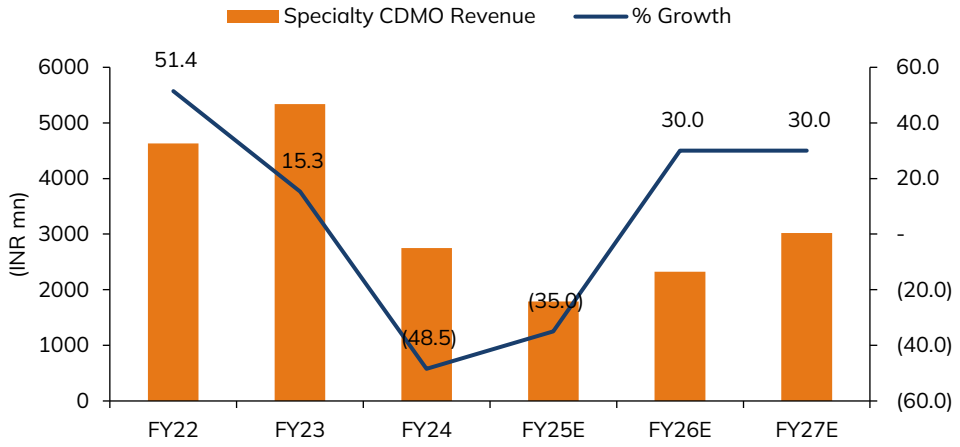
Source: I-Sec research, Company data

Agro-chemicals business may turnaround in FY26

The agro-chemical sector experienced headwinds due to de-stocking and price adjustments. However, Suven is seeing early signs of recovery due to their concentrated business development efforts in this segment. The company witnessed stabalisation in the agro-chemical business in Q3FY25 and management is hopeful of a recovery in H2FY25, followed by growth in FY26.

Suven, currently, has three products in the commercial stage in its portfolio and there are a couple of products in the pipeline. It is also setting up a dedicated site for this biz at its Vizag plant, which would cater to the segment's growth needs.

Exhibit 35: Specialty CDMO business growth to revive in FY26E



Source: Company data, I-Sec research

Exhibit 36: Innovators outlook on Agrochemical business

Companies	Q3FY25 conference call comments
BASF	On the market side, volumes would continue to grow and margins would improve overall over the segment.
Bayer	We are cautious on the Ag market outlook and anticipate muted growth.
FMC Corp	Customers in the United States replenished their depleted inventory in advance of the growing season.
Corteva	Crop Protection volume is expected to be up mid-single digits, driven by demand for new products and biologicals.

Source: Company data, I-Sec research

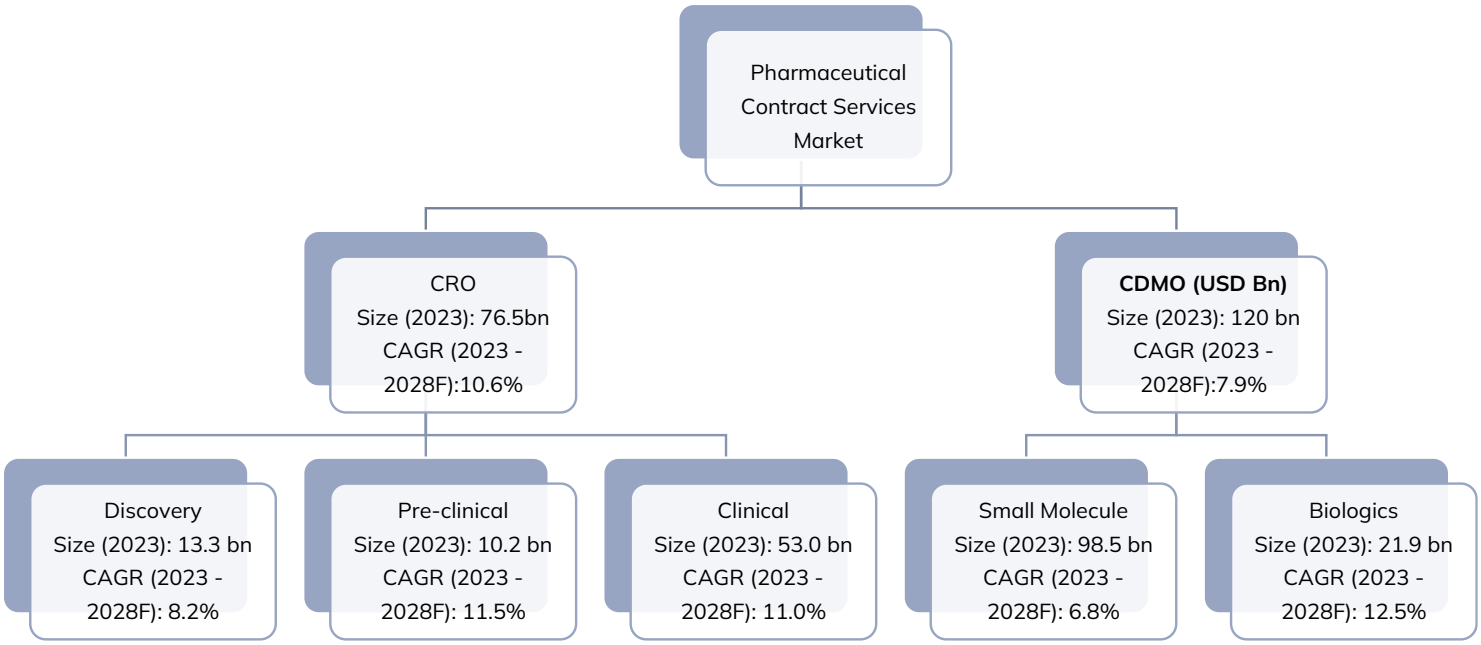
Industry overview

Evaluate Pharma and Frost & Sullivan expects the pharma industry to grow at a CAGR of 6.2% between CY23–28F to reach USD 1,956bn. With the increasing complexities of drugs and technologies, pharma companies increasingly turn to contract service providers. Pharma companies are increasingly looking for one-stop-shop solution providers, particularly among small pharmaceutical and biotech companies with limited resources and streamlined organizational structures. Hence, CROs and CDMOs are increasingly combining their services to establish integrated CRDMO business models.

The CRDMO market is marked by high fragmentation, with over 1,000 global CROs and CDMOs competing for market share and this landscape encompasses a diverse range of players, including full-service CRDMOs, large to small unintegrated pure-play CROs and CDMOs, and in-house departments of pharmaceutical companies and academic institutions. Functioning as full-service CRDMOs with global capabilities presents a distinctive advantage, *viz*: barriers to entry such as technology capabilities, high capex required for setting up manufacturing and research infrastructure, and long-standing relationships with sponsor networks.

TAM for CDMO was USD 381.7bn and is forecast to grow at a CAGR of 4.1% between 2023 and 2028 to reach USD 465.6bn in 2028.

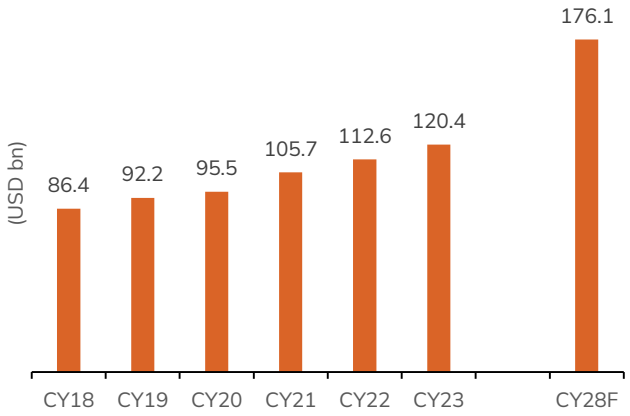
Exhibit 37: Global pharmaceutical contract services segmentation



Source: I-Sec research, Company data, Evaluate Pharma, Frost & Sullivan

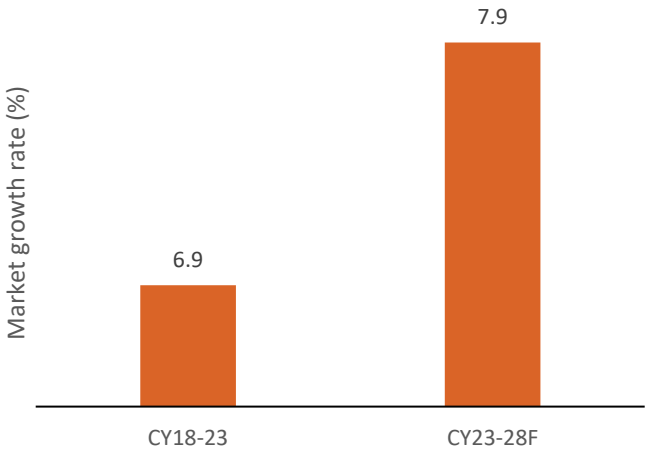
The global CDMO industry has experienced significant growth, expanding from USD 86.4bn in 2018 to USD 120.4bn in 2023 at a CAGR of 6.9%. Projections indicate that it may reach USD 176.1bn in 2028, reflecting a CAGR of 7.9% from 2023 to 2028 (Source: Evaluate Pharma, Frost & Sullivan).

Exhibit 38: Global CDMO market to touch USD 176bn by CY28F



Source: I-Sec research, Company data, Evaluate Pharma, Frost & Sullivan

Exhibit 39: Global CDMO market growth rate expected to grow 7.9% over CY23–28F



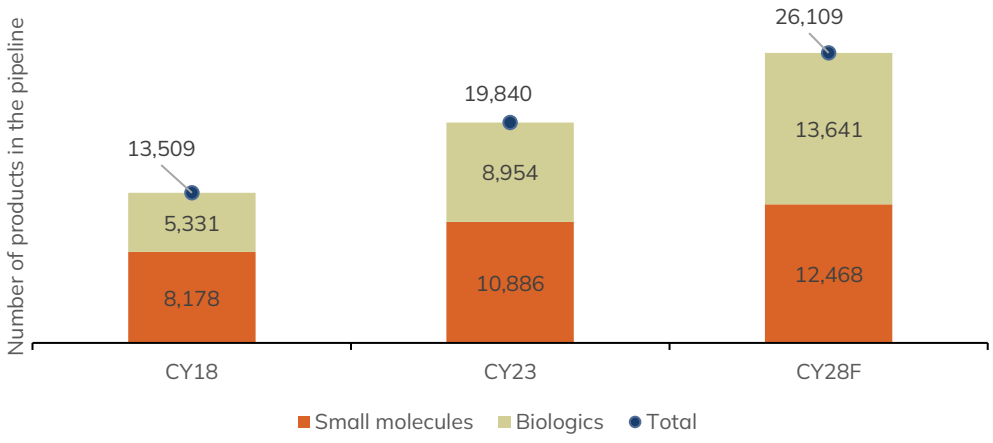
Source: I-Sec research, Company data, Evaluate Pharma, Frost & Sullivan

Global pharma R&D pipeline

The number of molecules in the R&D stage is on the rise; small molecules will likely continue to have a significant share.

In the year 2023, nearly 20,000 molecules were in different stages of development (from pre-clinical to launch). Small molecules currently comprise a large proportion (54.9% in 2023) of the molecules under development. The biologics (large molecules) R&D pipeline is expected to grow faster and comprise 52.2% of the R&D pipeline in 2028F.

Exhibit 40: Number of R&D projects in global pipeline by modality



Source: I-Sec research, Company data, Pharmaprojects, Evaluate Pharma. Note: F - Forward

Global pharma market by modality

The global pharmaceutical market comprises primarily two key types of drugs by modality; small-molecule and biologics (large molecule) drugs.

Small molecules

Small-molecule drugs (including NCEs and generics) have been the mainstay of the pharmaceutical industry, accounting for 66.9% of the market revenue in 2023. (Evaluate Pharma, Frost & Sullivan) Defined as any organic compound with low molecular weight, they are known for their affordability, ease of administration (largely orally), and broad therapeutic coverage. Small-molecule drug substances are typically manufactured using synthetic chemistry processes.

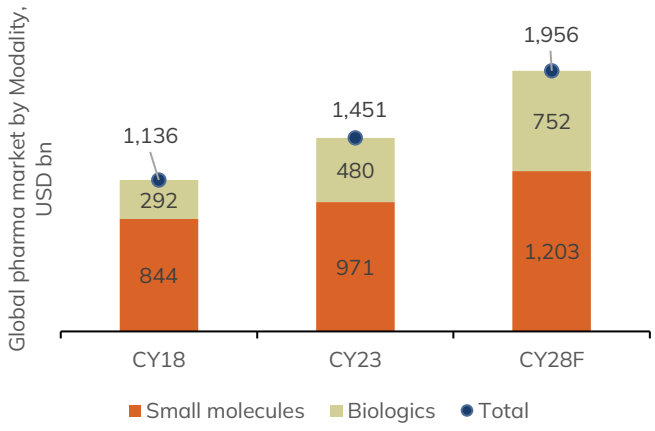
Biologics (large molecules)

Biologics or large molecules (including NBE and biosimilars) are defined as complex, high-molecular-weight compounds, made of proteins, manufactured from living organisms through biological methods. Biologics (large molecules) are costly to manufacture and, in most cases, can only be administered by injection or infusion. Biologic drug substances are typically manufactured biologically, i.e. extracted from living organisms, but often include certain synthetic chemistry processes.

ADC is one such example, which is an emerging class of anti-cancer targeted therapeutic drugs that can deliver highly cytotoxic molecules directly to tumour cells while sparing healthy cells. ADCs are a hybrid construct that combines a biologic (monoclonal antibody) with a small molecule (Drug-Linker) via chemical conjugation.

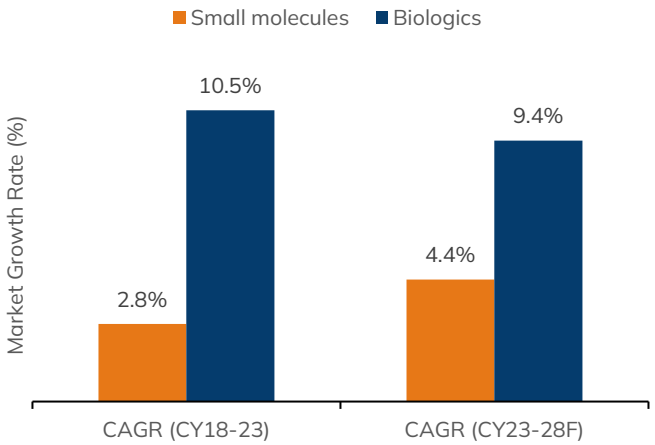
Over the past few decades, the biologics (large molecules) market has expanded rapidly, buoyed by innovations in gene and cell therapies and advanced drug delivery systems. Due to their complexity, high technological capabilities required, and higher development and approval timelines, there is limited competition in the biologics (large molecules) space as compared to small molecules.

Exhibit 41: Small molecules may continue to dominate Pharma market



Source: I-Sec research, Company data, Pharmaprojects, Evaluate Pharma. Note: F - Forward

Exhibit 42: Biologics market growth will continue to outpace small molecule growth



Source: I-Sec research, Company data, Pharmaprojects, Evaluate Pharma. Note: F – Forward

The market share of biologics (large molecules) has increased at a 10.5% CAGR, from 2018 to 2023, and is projected to expand at a CAGR of 9.4% to reach a market size of USD 752.1 bn by 2028 (Source: Pharmaprojects, Evaluate Pharma).

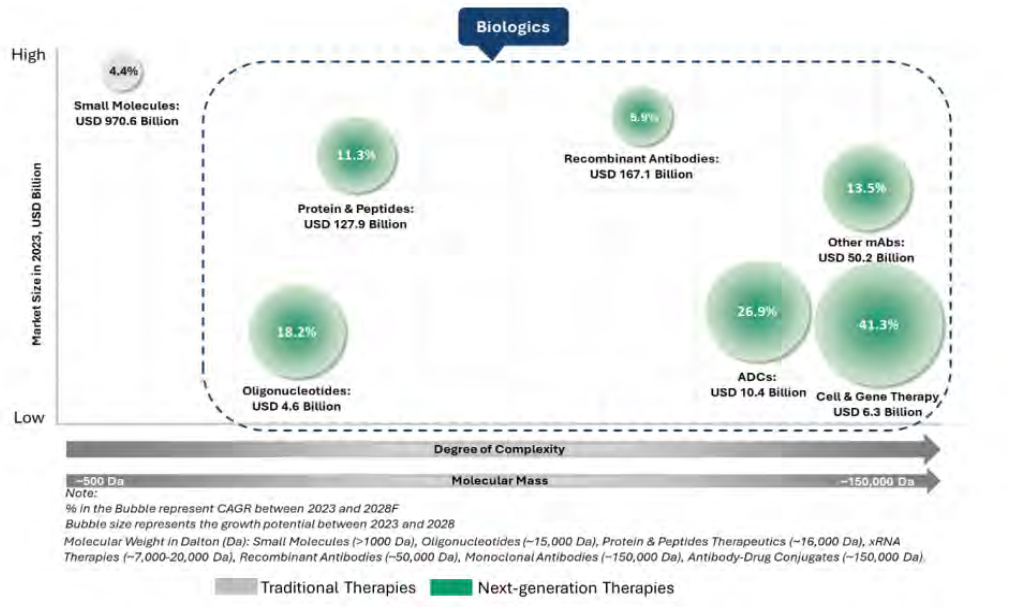
The blockbuster nature of many biologics (large molecules) and their dominance in revenue generation underpins the growing salience of biologics (large molecules). For instance, there were over 90 blockbuster biologic drugs sold in 2023, and the top 10 biologics accounted for nearly USD 127bn in sales. In comparison to most traditional small molecules, biologics (large molecules) offer superior efficacy and specificity, often targeting complex diseases more precisely, which has elevated them to blockbuster status with significant commercial potential. These therapies involve intricate manufacturing processes and longer development timelines, but their extended market exclusivity post-approval allows for substantial revenue generation, distinguishing their lifecycle from that of small molecules.

Global pharmaceutical market by molecule type

Small molecules are easily synthesized through chemical processes and have been vital in medicine since the early 20th century. However, their broad action can lead to off-target effects. In contrast, biologics (large molecules) like mAbs, ADCs, and Cell and Gene Therapies (CGTs) offer specificity but are costly and challenging to produce consistently due to intricate manufacturing processes involving living cells and sterile environments.

As pharmaceutical modalities (small molecules and biologics) evolve, each step offers more targeted, potent, and personalized treatment options, but also requires increasingly complex development, manufacturing, and regulatory strategies. Innovations within each category, such as ADCs in biologics (large molecules) or Lipid Nanoparticle (LNP) systems for genetic therapies, reflect the industry's push for precision and efficacy, accompanied by innovation in manufacturing technologies.

Exhibit 43: Next generation therapies are expected to grow at a faster pace



Source: I-Sec research, Company data, Evaluate Pharma, Frost and Sullivan

mAbs are a type of protein that is made in the laboratory and can bind to certain targets in the body, such as antigens on the surface of cancer cells. mAbs comprises molecules such as ADC, Recombinant antibodies, and other mAbs.

- **Recombinant Antibody**: Recombinant antibodies are generated outside the immune system using synthetic genes and, therefore, do not require animal immunization for their production. The market for Recombinant Antibodies, valued at USD 167.1 bn in 2023, is anticipated to grow to USD 222.8 bn in 2028 at a CAGR of 5.9%. (Source: Evaluate Pharma, Frost and Sullivan).

- **ADCs**, which link antibodies to cytotoxic drugs, provide targeted delivery of potent therapies to cancer cells and have the potential to replace conventional chemotherapies. Manufacturing ADCs is particularly complex, requiring precision in conjugating toxic payloads to antibodies while maintaining stability and activity, necessitating highly controlled production environments. The ADC market, valued at USD 10.4 billion in 2023, is one of the fastest-growing biologic segments and is anticipated to grow to USD 34.4 billion by 2028 at a CAGR of 26.9%.

Proteins and peptides, like enzymes and GLP-1 agonists provide focused actions with less systemic exposure. The protein and peptide market, valued at USD 127.9bn in 2023, is projected to grow to USD 218.3bn by 2028 at a CAGR of 11.3%.

- GLP-1 agonists, specifically, have gained prominence due to their effectiveness in managing metabolic disorders, with a market size of USD 36.8bn in 2023, expected to reach USD 105.3bn by 2028, growing at 23.4%. However, these therapies require sophisticated delivery systems like encapsulation (combining with polymernanoparticles to offer a stable environment and reduce degradation) or chemical modification to improve stability and half-life) to prevent degradation and enhance bio-availability, complicating their development and manufacturing.

Oligonucleotides, such as antisense and small interfering RNA (siRNA) therapies, represent a leap into genetic modulation, directly targeting RNA19 to alter protein production. Oligonucleotides are short, single- or double-stranded DNA or RNA molecules which forms a part of xRNA20 therapies. The oligonucleotide market, estimated at USD 4.6bn in 2023, is forecasted to grow to USD 10.6bn by 2028, at a CAGR of 18.2%. Approved therapies such as Spinraza and Onpattro demonstrate their potential but involve complex synthesis, purification, and delivery systems to achieve cellular uptake and avoid degradation. Advanced delivery technologies, such as Lipid Nanoparticles (LNP), are crucial yet challenging to produce consistently.

Cell and gene therapies (CGT), including CAR-T cell therapies and gene-editing techniques like CRISPR offer potentially curative treatments by altering or correcting genetic material. The CGT market was valued at USD 6.3bn in 2023 and is projected to surge to USD 35.8bn by 2028, with a CAGR of 41.3%.

These therapies require advanced bio-manufacturing involving viral vectors or plasmid DNA and must adhere to rigorous quality control and regulatory standards, further increasing their complexity and cost.

Exhibit 44: Usage of emerging technologies on the rise

Technology	Key therapeutic areas	Top-selling drugs (in USD mn)	Market size (2023); Projected CAGR (CY23–28F)
Antibody Drug Conjugate (ADC)*	Mostly for cancer, potential for treating haemophilia and inflammatory diseases	Enhertu (Oncology): 3,003 Kadcyla (Oncology): 2,190 Adcetris (Oncology): 1,755 Trodelvy (Oncology): 1,063 Polivy (Oncology): 932	USD 10.4bn; 26.9% CAGR
Peptides*	Wide range of therapeutic areas, such as gastrointestinal and metabolic disorders	Gattex: 826 (Gastrointestinal disorder)	Total Peptide: USD 40bn; 23% CAGR Non-GLP-1: USD 3bn; 17.3% CAGR
GLP-1*	Reduces body weight, glycemia, blood pressure, postprandial lipemia, and inflammation — actions that could contribute to reducing cardiovascular events	Ozempic (Metabolic disorder): 13,897 Trulicity (Metabolic disorder): 7,133 Mounjaro (Metabolic disorder): 5,163 Wegovy (Metabolic disorder): 4,551 Rybelsus (Metabolic disorder): 2,722	USD 36.8bn; 23.4% CAGR
Oligonucleotides# *	Neurodegenerative disorders, cancer, auto-immune disorder	Spinraza (Auto-immune disorder): 1,741 Amvuttra (Auto-immune disorder): 558 Exondys (Auto-immune disorder): 540 Leqvio (Cardiovascular): 355 Onpattro (Auto-immune disorder): 354 Givlaari (acute hepatic porphyria - hepatic disorder): 219 Oxlumo, (Genito-Urinary): 110	USD 4.6bn; 18.2% CAGR
RNAi*	Liver-related disorders, cardiovascular disorders, and urinary disorders		
Lipids*	Oncology	Taxol (Oncology): 22 Gemzar (Oncology): 18	USD 0.8bn: 12.9% CAGR
Recombinant Monoclonal Antibodies (mAbs)	Mostly oncology and immunology/ infectious diseases, but expanding into other therapeutic areas	Keytruda (Oncology): 25,011 Humira (Anti-inflammatory): 14,497 Dupixent (Anti-inflammatory): 11,590 Stelara (Anti-inflammatory): 11,323 Darzalex (Oncology): 9,744	USD 217.4bn: (excluding ADCs) 5.9% CAGR
Cell & Gene Therapies	Genetic disorders, immune disorders, and cancer	Yescarta (Oncology): 1,498 Zolgensma (Auto-immune disorder): 1,214 Kymriah (Oncology): 508 Carvykti (Oncology): 500 Abecma (Oncology): 472	USD 6.3bn; 41.3% CAGR

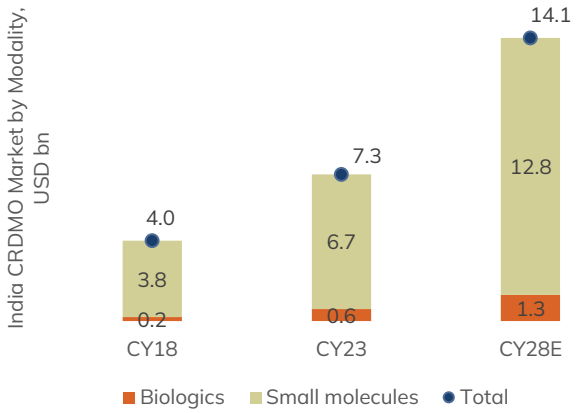
Source: I-Sec research, Company data, Evaluate Pharma, Frost & Sullivan

Note: Sales for branded products only, do not include sales for the entire active ingredient family #Oligonucleotides is a part of xRNA therapy and make up the majority share in xRNA therapies. *Modalities offered by Anthem (i.e. ADCs, xRNAs, Oligonucleotides, peptides) have high growth in the pharma industry (based on CAGR values)

Indian CRDMO industry by modality

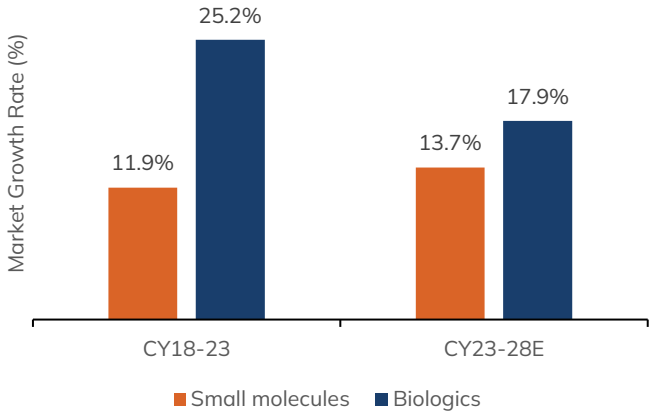
Indian CRDMO industry has largely been dominated by small molecules with their proportion constituting more than 90% of the total industry in 2023. However, the salience of biologics (large molecules) in Indian CRDMOs is expected to continue to improve given higher growth rates relative to small molecules. The biologics (large molecules) segment in India grew rapidly between 2018 and 2023 at a CAGR of 25.2% to reach USD 0.6 bn in 2023 and is estimated to grow at 17.9% CAGR from 2023 to 2028 (Source: Evaluate Pharma, Frost and Sullivan).

Exhibit 45: India CRDMO Market by Modality, CY18-28E



Source: I-Sec research, Company data, Evaluate Pharma, Frost & Sullivan

Exhibit 46: Growth rate of India CRDMO Market by Modality, CY18-28E



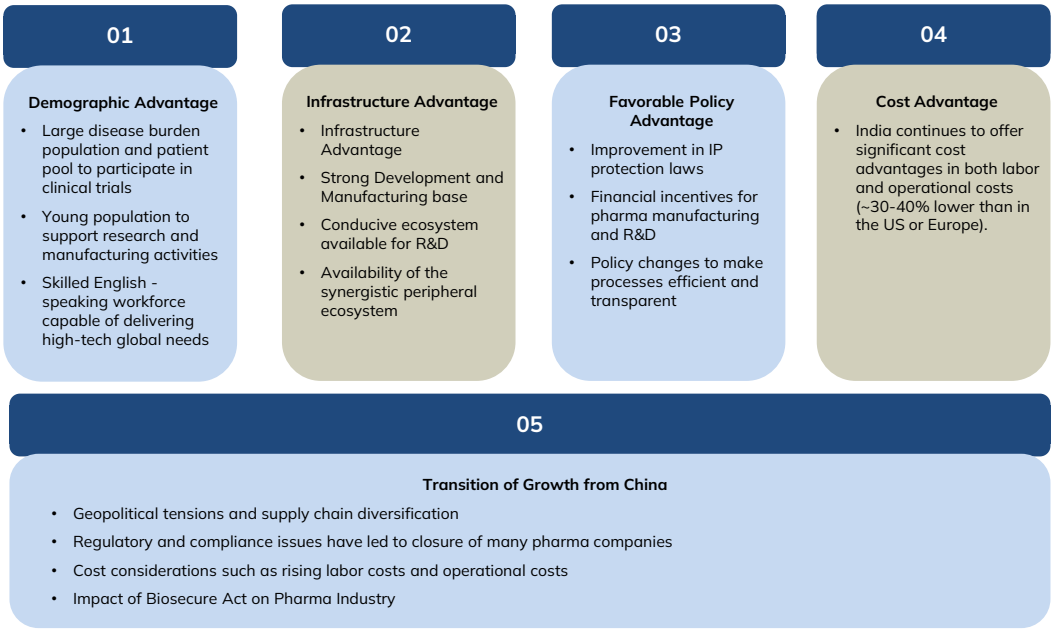
Source: I-Sec research, Company data, Evaluate Pharma, Frost & Sullivan

Growth drivers for Indian CRDMOs

India is fast emerging as the preferred destination for pharma outsourcing. From cost efficiency to quality assurance, Indian CRDMOs are increasingly becoming the preferred partners for Indian and global pharma sponsors.

India-based CRDMOs have traditionally been recognised for their cost advantage. However, in recent years, they have made significant investments in advanced technologies and built a broad suite of technical capabilities across various services. Today, Indian CRDMOs are best positioned to take up complex chemistries for global pharma and are now being benchmarked against leading global firms.

Exhibit 47: Growth enablers for Indian CRDMOs



Source: Frost & Sullivan, Company data, I-Sec research

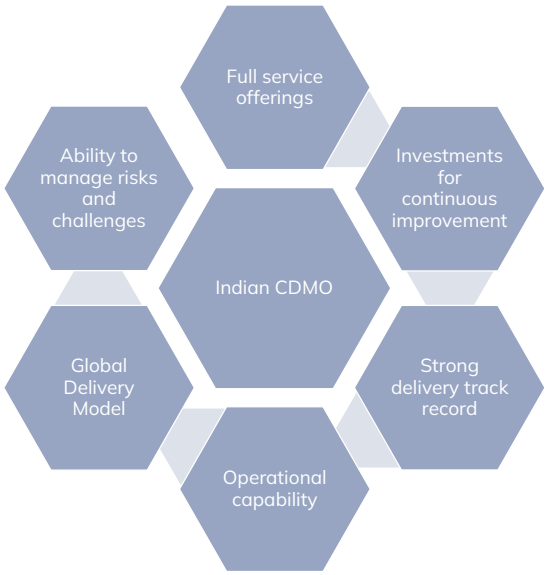
As outsourcing activities to CRDMOs brings multi-fold benefits to pharma companies, such as reduction in cost, reduced time taken to market, access to broader expertise, and advanced technologies, to name a few, will drive growth for CRMDOs, which is expected to grow at a CAGR of 9% between 2023–28F while during the same period Indian CRDMO is poised to outpace the global growth rate at 14% due to the

opportunities arising from growing competence of Indian CRDMOs, US BIOSECURE Act, and pharma companies increasingly adopting China+1 strategy.

While limited-service CROs and CDMOs may find ingress into niche service segments relatively attainable due to fewer barriers, the full-service CRDMO model offering a comprehensive, robust, and sophisticated infrastructure, catering to a wide spectrum of therapeutic areas and scientific disciplines poses significant entry barriers to new emerging competitors. The need for integrated CRDMO services is thus high, driven both by big pharmaceutical companies with a large portfolio of products across multiple geographies and by small pharmaceutical and emerging biotech companies due to resource constraints, the need for clinical development, and regulatory support.

Pharma companies seek reliability, specialisation, and quality of services to select the right partner in this highly fragmented market with more than 1,000 CROs and CDMOs as of 30 Sep'24. To stand out and win global market share, Indian CRDMOs need to emerge as true, long-term partners for pharmaceutical sponsors.

Exhibit 48: Key success factors for Indian CRDMOs



Source: Frost & Sullivan, Company data, I-Sec research

Over of the Antibody Drug Conjugate market

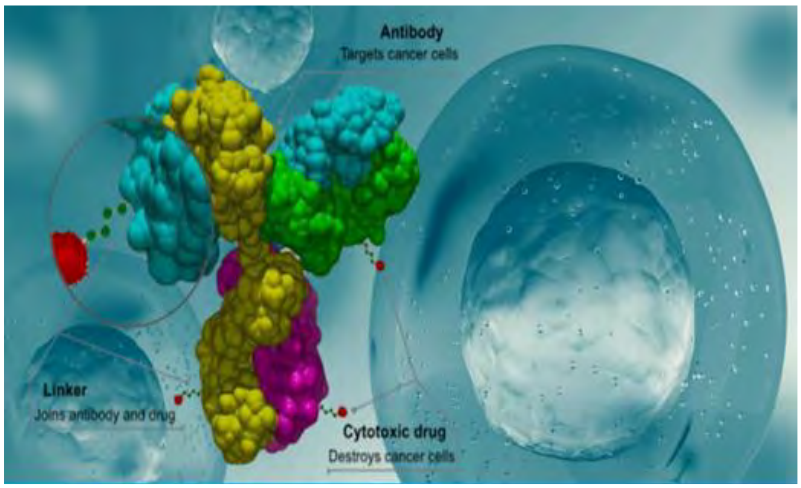
ADCs represent a class of chemotherapeutics, which combine the precision of mAbs with cytotoxic agents. It is a rapidly growing class of drugs intended at targeted-delivery of highly-potent and cytotoxic agents, selectively to tumour tissue. Each generation of ADC has steadily progressed closer to the goal of targeted cancer therapy with enhanced efficacy and reduced off-target toxicity.

Antibody (mAB) is the targeting component of an ADC. It must be highly specific to an antigen that is abundantly expressed on cancer cells but minimally present in healthy cells.

Linker is a critical component that connects the antibody to the drug payload. It must be stable in circulation to prevent premature drug release but able to release the drug once inside the cancer cells.

Cytotoxic payload is typically a highly potent cytotoxic agent that would be too toxic for systemic administration on its own.

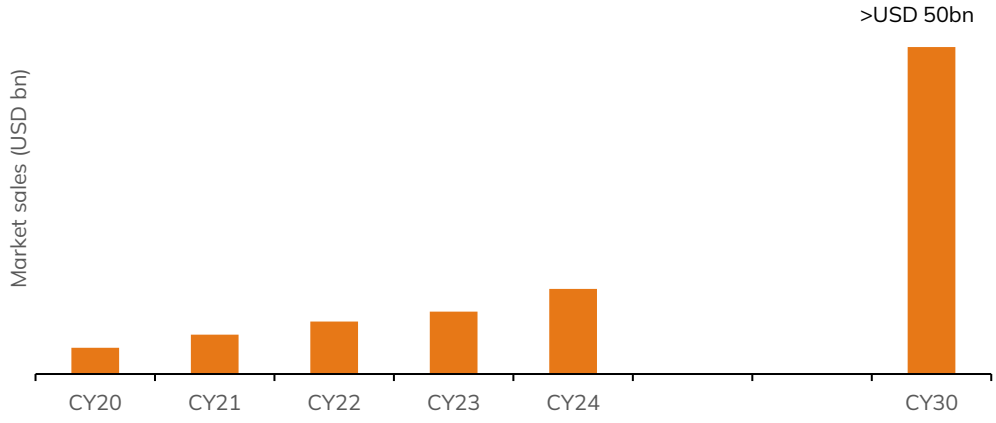
Exhibit 49: ADC composition



Source: I-Sec research, Company data

ADCs have emerged as an important therapeutic class of agents that can lead to new opportunities in the treatment of various cancers. Recent significant scientific and clinical advances in the field of ADCs have highlighted it as an important space for continued research and investment. There have been 12 FDA approvals till date and over 1,700 ADCs are currently in various stages of development. The global sales of ADCs exceeded USD 9bn in CY23 and is expected to reach USD 50bn by FY30.

Exhibit 50: ADC market to touch sales of USD 50bn by CY30



Source: Company data, I-Sec research, Beacon Intelligence Database, Jan'25

Exhibit 51: Comparison of different generations of ADC

	First-generation ADCs	Second-generation ADCs	Third-generation ADCs
Antibodies	Mouse-original or chimeric humanized antibodies	Humanized antibodies	Fully humanized antibodies or Fabs
Linkers	Unstable Monovalent Non-cleavable Acid-labile	Improved stability (Cleavable/ Non-cleavable) Monovalent	Stable in circulation
Payloads	Low potency (duocarmycin, doxorubicin)	Improved potency (auristatins, maytansinoids)	Low potency (camptothecins and novel payloads like immunomodulators)
Conjugation methods	Random Lysines	Random Lysines and Reduced Interchain Cysteines	Site-Specific Conjugation
DAR	Heterogeneous (generally 0-8)	Heterogeneous (generally, 4-8)	Homogeneous (generally 2, 4, 8)
Advantages	Specific targeting Slightly increased therapeutic window	Improved specific targeting More potent payloads Lower immunogenicity	Higher efficacy Improved DAR and improved stability
Disadvantages	Heterogeneity Lack of efficacy Narrow therapeutic index Off-target toxicity due to premature release of drug High Immunogenicity	Heterogeneity Fast clearance for high DAR ADCs Off-target toxicity (premature drug release) Drug resistance	Potential toxicity due to high potency payloads Catabolism difference across species Drug Resistance
Examples of Approved ADCs	Mylotarg, Besponsa	Kadcyla, Adcetris, Padcev, Elahere	Enhertu, Trodelvy

Source: I-Sec research, Company data

Exhibit 52: Sales of commercial ADCs

Marketed ADC	Disease indication	Linker: Payload	Net global sales 2024 (USD mn)
Adcetris	HL, sALCL	Val-Cit: MMAE	1,089
Padcev	mUC	Val-Cit: MMAE	1,588
Tivdak	Cervical Cancer	Val-Cit: MMAE	131
Trodelvy	mTNBC, mUC	CL2A: SN-38	1315
Elahere	FRα+ platinum-resistant ovarian, fallopian tube, or primary peritoneal cancer	SPDB: DM4	479
Zynlonta	DLBCL	Val-Ala: PBD	103
Enhertu	HER2+ Breast Cancer, Gastric Cancer	GGFG: DXd	3754
Kadcyla	HER2+ Breast Cancer	SMCC : DM1	2196.3 (CHF 1,998mn)
Polivy	DLBCL	Val-Cit : MMAE	1232.26 (CHF 1,121mn)
Mylotarg	AML	AcButacyl Hydrazone disulfide: Calicheamicin	~100
Besponsa	(R/R) ALL	AcButacyl Hydrazone disulfide: Calicheamicin	~217.99

Source: I-Sec research, Company data, Beacon Intelligence Database, Jan 2025

Enhertu is bringing advancement in ADC space. Suven is the commercial supplier of intermediate of Enhertu, which is the biggest market compound. Suven is already part of two main compounds. The ADC market is likely to reach USD 50bn by CY30 aided by the success of Enerhtu (Source: Beacon Intelligence Database, Jan'25).

Exhibit 53: Topoisomerase I inhibitors has the lowest failure rate among various payloads

Payload Class	Tubulin Inhibitors	DNA Damaging agents	Topoisomerase I inhibitor
Commonly used payloads	Auristatin (MMAE, MMAF), Maytansine(DM4, DM1), Tubulysin (AZ13599185)	Duocarmycin (DUBA), Indolino-benzodiazepine (IGN), Pyrrolobenzodiazepine (PBD)	SN-38, DXd/ DX8951, Camptothecin,
Total ADCs (Preclinical / Clinical)	388	114	247
Discontinued ADCs (Preclinical/ Clinical)	46	17	1
Approx. Percent Failure*	12%	15%	0.40%
Expected failure rate by 2030**	>50%	>60%	<5%

Source: Company data, I-Sec research, Beacon Intelligence Database, Jan'25

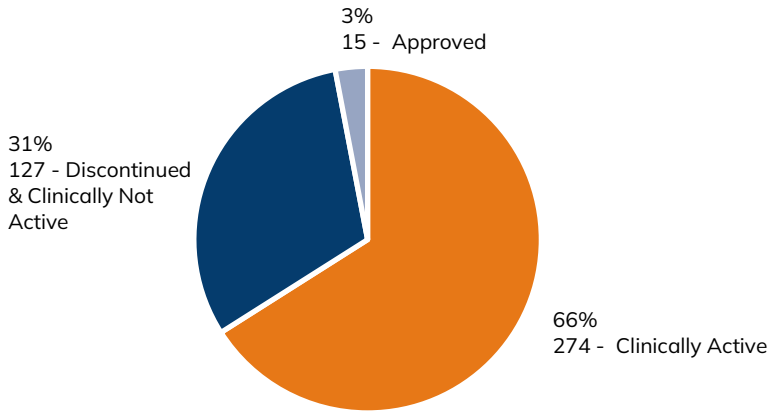
Note: * Values only include payload data of disclosed ADC programs ** Values estimated by calculations by the company

ADCs have had many successes and new approvals in the last few years; however, there are still many discontinued programs that provide important information.

The most common reasons for discontinuation of ADCs include lack of sufficient efficacy at maximum tolerated dose (MTD), low tolerability, and safety reasons. A few others have also been discontinued due to pipeline reprioritisation or due to the competitive landscape.

Among the discontinued ADCs, most have used auristatin and maytansinoid-based payloads; and in many cases, there may have been the wrong selection of drug-linker for the indication. Some antibodies targeting HER2+ cancers have not progressed in the clinic or did not show meaningful improvements to trastuzumab emtansine. But careful selection of new drug linkers led to trastuzumab deruxtecan, a promising new ADC.

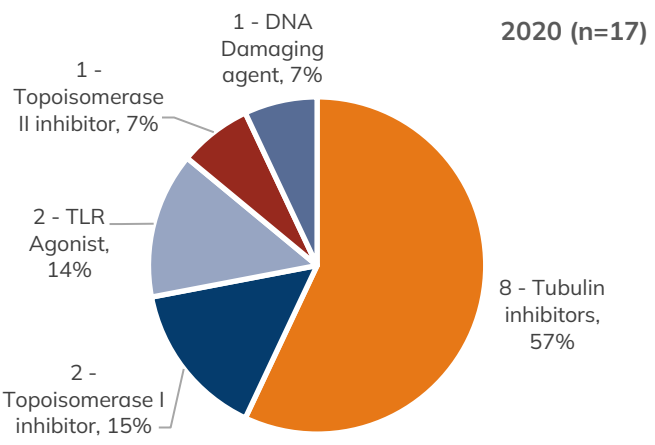
Exhibit 54: Status of nucleic acid and oligo building blocks under development



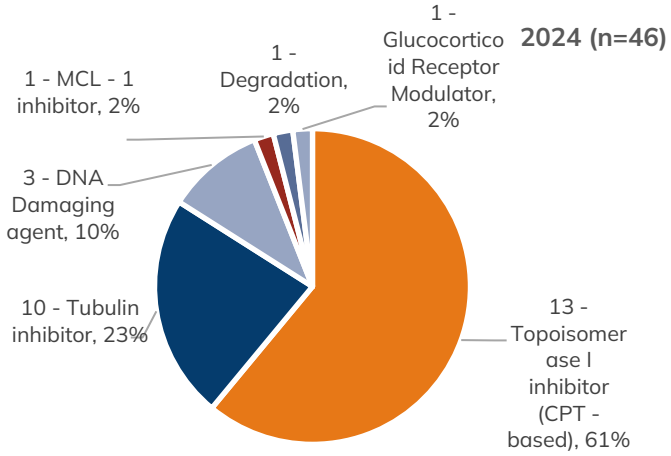
Source: I-Sec research, Company data, Beacon Intelligence Database, Jan'25

Tubulin inhibitors have higher rate of discontinuation due to high toxicity of the compounds. The discontinuation rate for topoisomerase is the lowest with a failure rate of <5% expected by CY30. Topoisomerase dose can be increased due to lower potency and side effects. Suven is the global leader in topoisomerase payload and its technology and supply chain would help retain its position. Due to success of Enhertu, 61% of the new assets that entered the clinic are topoisomerase as compared to 15% in CY20. Suven is the market leader in manufacturing of S-Trione, Exaticon and sn30.

Exhibit 55: Payload mechanism of new assets is shifting towards topoisomerase



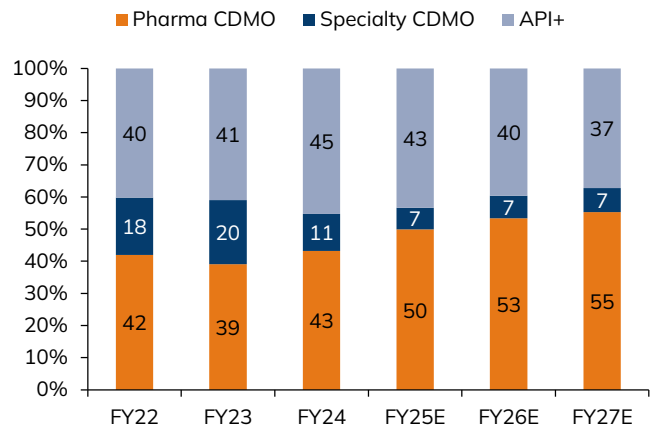
Source: Company data, I-Sec research, Beacon Intelligence Database



Source: Company data, I-Sec research, Beacon Intelligence Database

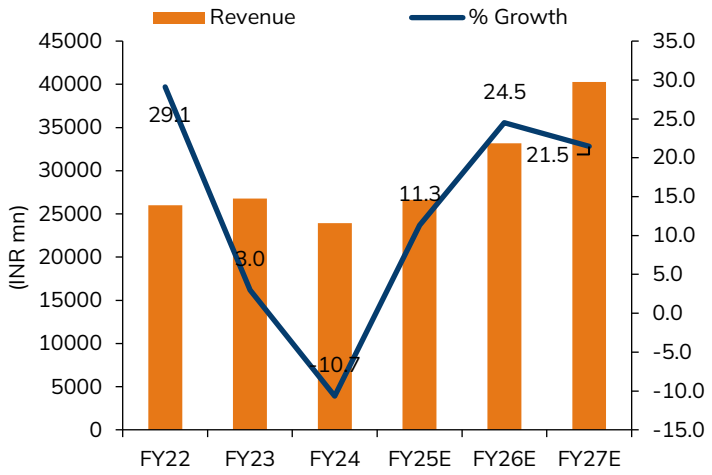
Financial summary in charts

Exhibit 56: CDMO revenue to account for ~63% of Suven's revenue by FY27E



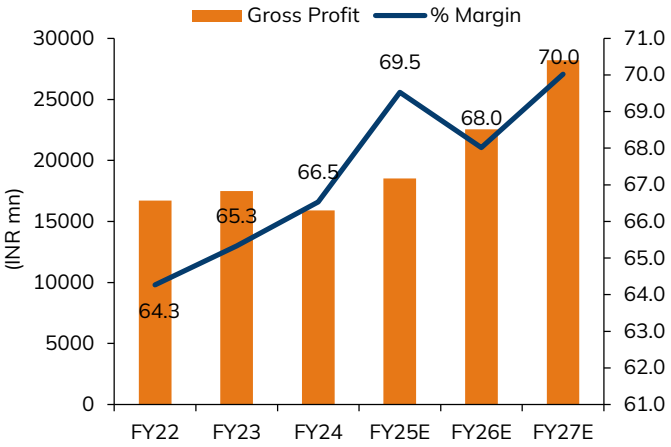
Source: I-Sec research, Company data

Exhibit 57: Revenue expected to grow at ~19% CAGR over FY24-27E



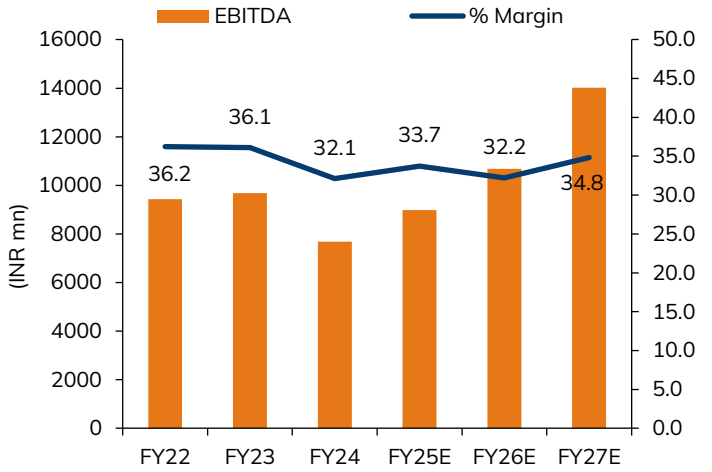
Source: I-Sec research, Company data

Exhibit 58: Gross margin likely to touch 70% by FY27E



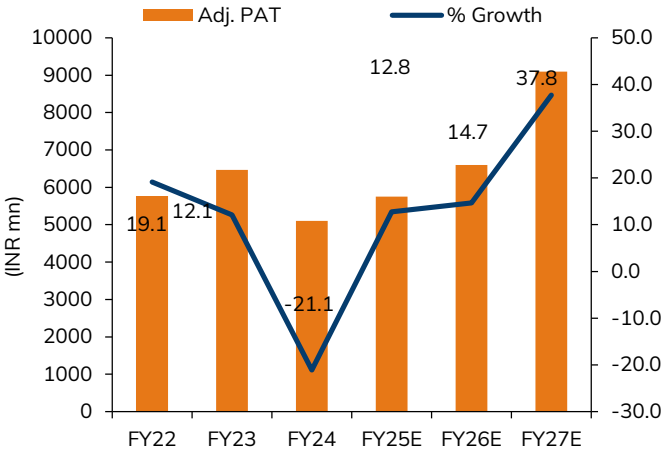
Source: I-Sec research, Company data

Exhibit 59: EBITDA margins to expand ~270bps over FY24-27E



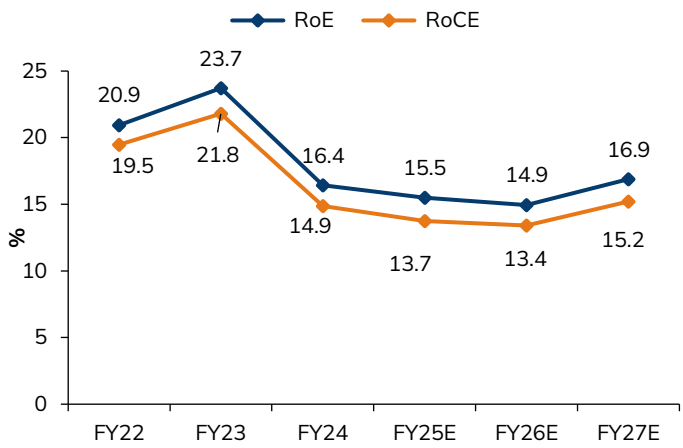
Source: I-Sec research, Company data

Exhibit 60: Adj. PAT expected to grow at ~21% CAGR over FY24-27E



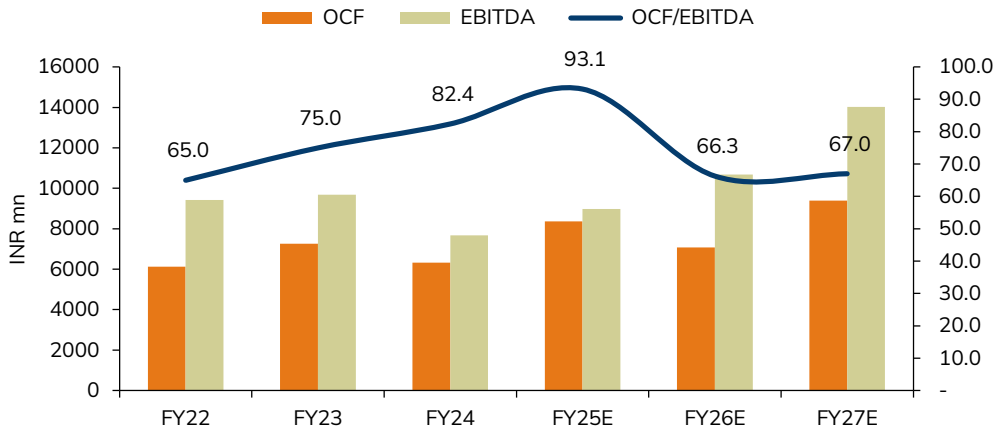
Source: I-Sec research, Company data

Exhibit 61: Return ratios to remain stable ahead



Source: I-Sec research, Company data

Exhibit 62: Suven is expected to generate FCF of ~INR 11bn over FY25-27E



Source: I-Sec research, Company data

Key risk

Slowdown in global R&D: Post-Covid-19, there was a slowdown in R&D funding, which led to a sharp fall in the entry-level molecules in the pipeline of most CDMOs, impacting their growth and margins.

Loss of patent of commercial products: Entry of generics or patent expiry of key commercial molecules, for which Suven is supplying intermediate/API, may dent its growth.

Delay in integration and synergies of the acquired assets: Management expects Sapala acquisition to EPS accretive by FY28 while NJ Bio's margins (10% in CY24) are currently lower than the company-level margins. A delay in integration and scale up in these acquisitions may impact overall performance of the company.

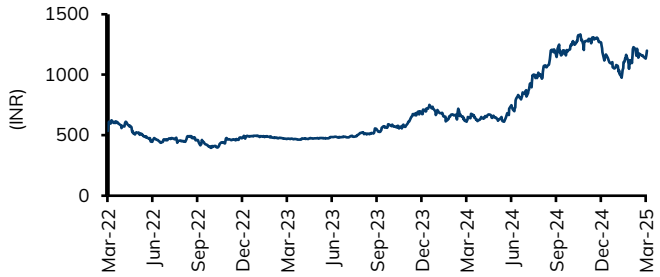
Geopolitical uncertainties: Uncertainties of reciprocal tariffs and other protective measures deployed by countries such as US may impact CDMO growth and margins of CDMOs based in India.

Exhibit 63: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	50.1	50.1	50.1
Institutional investors	27.3	27.6	27.5
MFs and others	14.8	14.1	13.2
FIs/Banks	0.0	0.0	0.0
Insurance	2.1	2.5	3.2
FIIs	10.4	11.0	11.1
Others	22.6	22.3	22.4

Source: Bloomberg, I-Sec research

Exhibit 64: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 65: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	23,922	26,636	33,165	40,280
Operating Expenses	**4,465**	**5,061**	**6,268**	**7,452**
EBITDA	7,680	8,984	10,686	14,026
EBITDA Margin (%)	**32.1**	**33.7**	**32.2**	**34.8**
Depreciation & Amortization	1,139	1,481	1,555	1,632
EBIT	6,541	7,503	9,131	12,394
Interest expenditure	406	414	422	431
Other Non-operating Income	1,585	1,032	641	977
Recurring PBT	7,720	8,121	9,350	12,940
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	**1,981**	**2,030**	**2,337**	**3,235**
PAT	5,739	6,090	7,012	9,705
Less: Minority Interest	-	-	413	613
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	5,739	6,090	6,600	9,092
Net Income (Adjusted)	**5,739**	**6,090**	**6,600**	**9,092**

Source Company data, I-Sec research

Exhibit 66: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	21,895	22,754	29,676	39,609
of which cash & cash eqv.	9,440	9,157	13,957	21,400
Total Current Liabilities & Provisions	2,418	2,919	3,635	4,414
Net Current Assets	**19,477**	**19,836**	**26,041**	**35,194**
Investments	-	-	-	-
Net Fixed Assets	10,273	10,214	11,160	12,027
ROU Assets	762	2,401	2,401	2,401
Capital Work-in-Progress	4,082	3,004	3,004	3,004
Total Intangible Assets	730	7,566	7,566	7,566
Other assets	1,002	1,116	1,389	1,687
Deferred Tax Assets	-	-	-	-
Total Assets	**36,326**	**44,136**	**51,561**	**61,880**
Liabilities				
Borrowings	**5,274**	**5,274**	**5,274**	**5,274**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	390	390	390	390
Reserves & Surplus	30,662	36,753	43,765	53,470
Total Net Worth	**31,052**	**37,142**	**44,155**	**53,860**
Minority Interest	-	1,720	2,133	2,746
Total Liabilities	**36,326**	**44,136**	**51,561**	**61,880**

Source Company data, I-Sec research

Exhibit 67: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	**6,325**	**8,365**	**7,081**	**9,397**
Working Capital Changes	(228)	(755)	(1,680)	(2,008)
Capital Commitments	(2,999)	(8,819)	(2,500)	(2,500)
Free Cashflow	**3,326**	**(454)**	**4,581**	**6,897**
Other investing cashflow	**731**	**585**	**641**	**977**
Cashflow from Investing Activities	(2,268)	(8,234)	(1,859)	(1,523)
Issue of Share Capital	-	-	-	-
Interest Cost	(406)	(414)	(422)	(431)
Inc (Dec) in Borrowings	1,915	-	-	-
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	1,509	(414)	(422)	(431)
Chg. in Cash & Bank balance	**5,566**	**(283)**	**4,800**	**7,443**
Closing cash & balance	11,409	9,157	13,957	21,400

Source Company data, I-Sec research

Exhibit 68: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	14.7	15.6	16.9	23.3
Adjusted EPS (Diluted)	14.7	15.6	16.9	23.3
Cash EPS	17.6	19.4	20.9	27.5
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	79.7	95.3	113.3	138.2
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	(10.7)	11.3	24.5	21.5
EBITDA	(20.6)	17.0	18.9	31.3
EPS (INR)	(15.3)	6.1	8.4	37.8
Valuation Ratios (x)				
P/E	79.8	75.2	69.4	50.4
P/CEPS	66.6	60.5	56.2	42.7
P/BV	14.8	12.3	10.4	8.5
EV / EBITDA	59.1	50.6	42.1	31.5
P / Sales	19.2	17.2	13.8	11.4
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	50.8	52.7	51.1	53.3
EBITDA Margins (%)	32.1	33.7	32.2	34.8
Effective Tax Rate (%)	25.7	25.0	25.0	25.0
Net Profit Margins (%)	24.0	22.9	21.1	24.1
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(0.5)	(0.4)	(0.8)	(1.1)
Profitability Ratios				
RoCE (%)	13.7	13.4	15.2	15.8
RoE (%)	16.4	15.5	14.9	16.9
RoIC (%)	20.1	17.3	18.4	23.3
Fixed Asset Turnover (x)	0.8	0.7	0.7	0.8
Inventory Turnover Days	85	94	101	97
Receivables Days	92	98	105	103
Payables Days	35	41	48	48

Note: Valuation ratios take into consideration post-merger share swap
Source Company data, I-Sec research

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