

December 27, 2024



Supriya Lifescience Ltd

Pharmaceutical- APIs

CMP 700 | Market Cap Rs 56 bn

Supriya Lifescience Ltd

Diversifying into newer revenue streams

CMP : Rs. 700

Stock data (as on December 26, 2024)

Bloomberg Ticker	: SUPRIYA IN
NSE Code	: SUPRIYA
BSE Code	: 543434
52 Week H/L (₹)	: 835/289
Market Cap (₹ /USD mn)	: 55740/651
Outstanding Shares (mn)	: 80
Free Float (%)	: 32
ADTV – 3M (USD mn)	: 4.74
Div Yield (%)	: 0.10

Shareholding Pattern (%)

%	Mar-24	Jun-24	Sep-24
Promoter	68.3	68.3	68.3
FII	5.4	4.9	6.0
DII	5.3	5.5	5.5
Public	21.0	21.3	20.2

Financial Summary

(Rs mn)	FY22	FY23	FY24
Revenues	5,300	4,609	5,704
Yoy growth (%)	35%	-13%	24%
EBITDA	2,140	1,289	1,730
EBITDA Margin (%)	40%	28%	30%
PAT	1,518	899	1,191
PAT growth	23%	-41%	33%
EPS	18.9	11.2	14.8
P/E (x) (@ 711)	37.7	63.7	48.0
EV/EBITDA (x)	27.9	45.7	33.5
Debt/Equity (x)	0.3	0.03	0.0
RoE (%)	0.2	0.1	0.1

We hosted the top management of Supriya Lifescience Ltd to discuss the API industry and its growth. The company manufactures APIs, with 83-86% of the revenue coming from exports to more than ~100 countries, out of which a large portion comes from regulated markets.

The company has a 927 KLPD of reactor capacity at Lote Parshuram and Ambernath, as of Q3FY25 vs 550 KLPD of capacity, as of FY24.

They aim to achieve Rs10bn in revenue by FY27E, with EBITDA expected to grow from Rs2.3bn (FY25E) to Rs4bn (FY27E), driven by new high volume product launches, further penetration of existing matured products in regulated markets by Q2FY26E, backward integration and stable pricing outlook.

We believe Supriya Lifescience can clock in 27.6% CAGR rise in earnings over FY24-FY27E. The stock is at attractive levels of ~27.1x its FY26E EPS relative to peers like Neuland Labs and Divi's Labs (although scale and size not comparable) trading at premium multiple of over 45x their FY26E EPS. Hence, we believe it is a great idea to keep it under the radar.

About the company: Supriya Lifescience is a first-generation entrepreneur-led company, manufacturing 38 APIs at Lote Parshuram and Ambernath with a total reactor capacity of 1,020 KLPD. Catering to major regulated markets like Europe, Latin America, and Japan, as well as semi-regulated markets in Asia, the company produces anti-histamines, anti-asthmatics, anesthetics, and vitamins – focusing on niche and high-margin products.

Key Takeaways

Robust guidance: The company aims to achieve Rs10bn in revenue by FY27E, with EBITDA expected to grow from Rs2.3bn (FY25E) to Rs4bn (FY27E). The increase will be driven by further penetration of the existing matured products by Q2FY26E (Chlorpheniramine Maleate, Ketamine Hydrochloride and Salbutamol Sulphate) in regulated markets, new high-volume product launches (in anesthetics, anti-diabetes, narcotics, and contrast media), increasing backward integration and stable pricing outlook.

New products to aid revenue growth: New products have been lined up in anesthetics and anti-diabetes (2 products), narcotics (2 products) and contrast media (2 products) therapies over short-medium term, expected to diversify the products portfolio and lessen margin volatility. New products are aimed at higher-margin markets in Europe and Latin America that offer premium pricing. However, with the launch of new products, EBITDA margins are likely to come down to sustainable levels of 30%-34% in the foreseeable future.

CMO/CDMO opportunity to diversify revenue streams: CMO and CDMO to add Rs1-2bn incrementally by FY27E (over and above the guided Rs10bn) through client engagements like that with DSM- Firmenich for the supply of B2 vitamin, co-developed over 10 years (incrementally Rs6bn from FY27E onwards) and whey protein with the new formulation facility at Ambernath (commissioned in Q4FY24). CMO opportunities will likely contribute ~20% of the total revenue by FY27E-FY28E.



Unnati Bhavakar

Research Analyst

unnati.bhavakar@shareindia.com

+91 9819321146

Capacity expansion to aid revenue growth: Commercial production of its newly devised formulations facility at Ambernath is likely to start from Q3FY25E (70 KLPD), to take the overall capacity to ~1,020 KLPD. The Module-E for CMO will take at-least 2.0 – 2.5 years to get to complete utilisation, as it starts the commercial production from Q3FY25E. Capex of Rs2bn has been planned over the next two years, including for the construction of Module-E and R&D labs at Ambernath. Post FY27E-FY28E only, the company is likely to see capacity expansion at Patalganga.

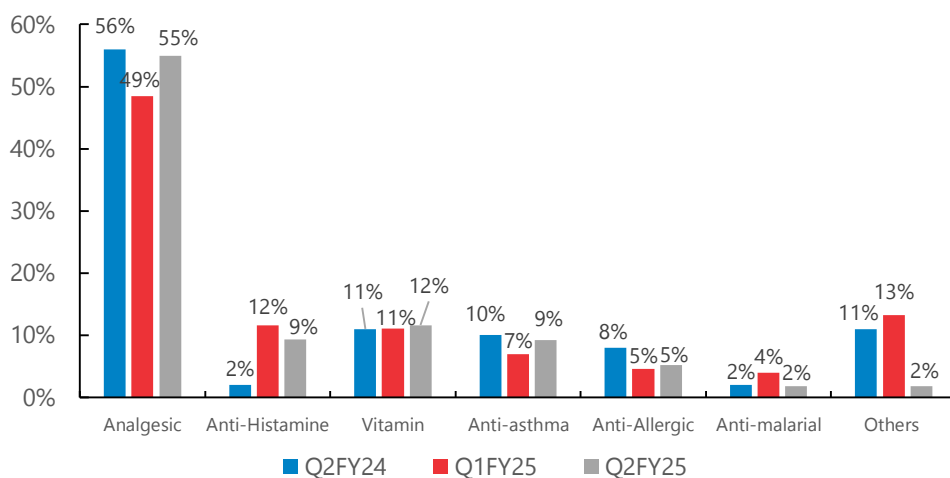
R&D investments to ramp up formulations revenue: R&D investment is increasing, with 60 scientists being deployed currently. The company plans to expand the scientists' headcount to 100 scientists.

Key competitors: Competition includes Neuland Labs, Divis Labs, and various European companies, but Supriya Lifescience differentiates with backward integration, higher ASPs, and market leadership in specific molecules.

Financial analysis: For Q2FY25, the annualised asset turn ratio improved to 2.2x (vs 2.1x in Q2FY24) and debt-to-equity was at no-debt levels of 0.01x. EBITDA margins improved a strong 1,630 bps YoY to ~39.0%, due to improving product mix towards regulated markets like North America, Latin America, and Europe (~63.0% of revenue in Q2FY25 vs ~57.0% in Q2FY24) and backward integration having reached to 82% of products, currently.

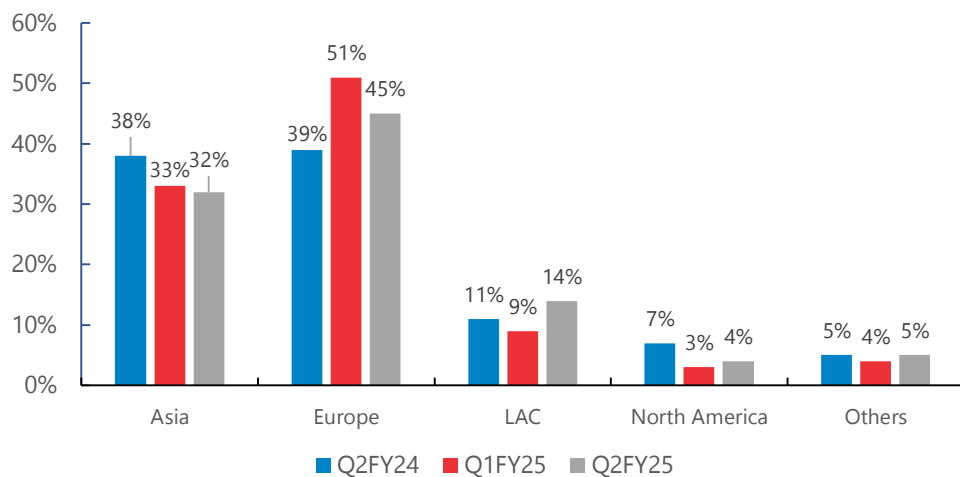
Our view: Supriya Lifescience is a high-growth, backward-integrated API manufacturer with a strong focus on regulated markets and niche products. It aims for steady revenue growth, improved margins, and increased market share by leveraging regulatory compliance, backward integration, and strategic product launches. **We believe Supriya Lifescience can clock in 28% CAGR rise in earnings over FY24-FY27E. The stock is at attractive levels of ~27x it's FY26E EPS relative to peers like Neuland Labs and Divi's Labs (although scale and size not comparable) trading at premium multiples of over 45x their FY26E EPS. Hence, we believe it is a great idea to keep it under the radar.**

Revenue breakup therapy wise



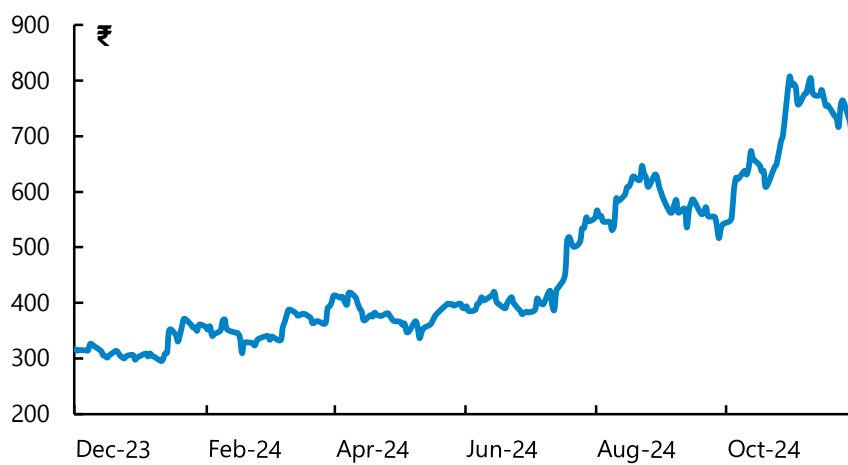
Source: Company, Share India Research

Revenue breakup geography wise



Source: Company, Share India Research

Price chart – 1Y



Source: Company, Share India Research

Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,116	3,912	5,300	4,609	5,704
% Change YoY		26%	35%	-13%	24%
Operating profit	984	1,732	2,140	1,289	1,730
EBITDA margins	32%	44%	40%	28%	30%
% Change YoY		76%	24%	-40%	34%
Depreciation	64	67	101	118	158
EBIT	920	1,664	2,039	1,171	1,572
EBIT margins	30%	43%	38%	25%	28%
Interest expense	68	41	42	31	21
Other income	111	50	76	95	106
Profit before tax	962	1,674	2,072	1,235	1,657
Taxes	228	437	554	336	466
Effective tax rate (%)	24%	26%	27%	27%	28%
Net profit	734	1,236	1,518	899	1,191
% Change YoY		68%	23%	-41%	33%
EPS (Rs)	10	17	19	11	15

Source: Company, Share India Research

Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24
Total Assets					
Gross Block	948	984	1,883	2,604	3,085
Other non current assets	436	816	490	950	2,150
Total non current assets	1,384	1,800	2,372	3,554	5,234
Inventories	495	725	923	1,158	852
Trade receivables	525	735	1,152	847	1,117
Other current assets	960	1,195	2,900	2,645	2,009
Total current assets	1,980	2,655	4,975	4,649	3,978
Total equity & liabilities					
Equity share capital	146	146	161	161	161
Other equity	1,346	2,539	5,996	6,834	7,993
Total equity	1,492	2,686	6,157	6,995	8,154
Borrowings	24	0	0	0	0
Deferred tax liabilities	75	80	111	137	232
Other non current Liabilities	219	229	82	114	58
Total non-current liabilities	318	309	194	250	290
Borrowings	767	701	213	166	0
Trade payables	494	510	490	642	596
Other current liabilities	272	249	294.32	149	173
Total current liabilities	1,532	1,460	997	958	769

Source: Company, Share India Research

Cash Flow Statement (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24
Profit before Tax	962	1,673	2,072	1,235	1,657
Non cash items	64	68	101	118	158
(Inc)/Dec in WC	366	(668)	(1,044)	(338)	(171)
Direct Taxes Paid	(270)	(300)	(610)	(307)	(376)
CF from Oper. Activity	1,161	759	488	636	1,133
(Inc)/Dec in FA	(245)	(468)	(598)	(1,079)	(1,457)
Free Cash Flow	915	291	(110)	(443)	(323)
(Pur)/Sale of Invest.	-	-	-	(252)	(385)
Others	-	-	-	95	106
CF from Inv. Activity	(245)	(468)	(598)	(1,237)	(1,736)
Change in Net worth	0	0	2,000	0	0
Inc/(Dec) in Debt	(76)	(117)	(494)	(49)	(170)
Misc. Inv.	(216)	(29)	(10)	(53)	(54)
CF from Fin. Activity	(292)	(145)	1,497	(103)	(224)
Inc/(Dec) in Cash	623	146	1,386	(703)	(826)
Opening Cash Balance	124	747	893	2,279	1,576
Closing Cash Balance	747	893	2,279	1,576	750

Source: Company, Share India Research

Ratio Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24
Basic (Rs)					
EPS	10.0	16.9	18.9	11.2	14.8
Valuation ratios (x)					
P/E	70.9	42.1	37.7	63.7	48.0
P/B	34.9	19.4	9.3	8.2	7.0
EV/EBIDTA	53.7	31.0	27.9	45.7	33.5
Profitability Ratios (%)					
RoIC	31%	49%	37%	15%	15%
RoE	49%	46%	25%	13%	15%
RoCE	40%	49%	32%	16%	19%
Liquidity ratios					
Debtor (days)	66	59	65	79	63
Inventory (days)	71	77	72	80	66
Creditor (days)	55	47	34	45	40
Net working Capital (days)	82	89	102	114	89
Asset Turnover (x)	0.9	1.0	0.9	0.6	0.7

Source: Company, Share India Research

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