

SUPRIYA LIFESCIENCE LTD.



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Improving capabilities towards sustainable growth

CMP INR 365	Target INR 410	Potential Upside 12.30%	Market Cap (INR Mn) INR 29,410	Recommendation ACCUMULATE	Sector Pharma
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Result Highlights of Q1FY23:

- During Q1FY23, Supriya Lifescience Ltd (SLL) reported Revenue of INR 1,037 Mn (+31.43% YoY / -43.98% QoQ). Such growth was mainly driven by strong sales from Analgesic/Anesthetic segment which contributed 51% to the topline against 15% in same period last year.
- On operational front EBITDA in Q1FY23 stood at INR 337 Mn (+92.91% YoY) but dipped on QoQ basis by 57.44%, OPM improved by 1,035 bps YoY and was largely impacted QoQ which came at 32.46% in Q1FY23. Increase in the cost of solvents weighed on the EBITDA margins during the quarter.
- Net Profit in Q1FY23 stood at INR 252 Mn against 77 Mn in Q1FY22 and it was down by 45.45% on QoQ basis. NPM came at 24.30%, up 1,454bps YoY and down marginally by 66bps on QoQ basis.
- EPS during the quarter came at INR 3.14 vs INR 0.96 in the same period last year.

MARKET DATA

Shares outs (Mn)	80
Mkt Cap (INR Mn)	29,410
52 Wk H/L (INR)	602/293
Volume Avg (3m K)	303.5
Face Value (INR)	10
Bloomberg Code	SUPRIYA IN

KEY FINANCIALS

INR Mn	Q1FY23	Q1FY22	YoY	Q4FY22	QoQ
Revenue	1,037	789	31.43%	1,851	-43.98%
EBITDA	337	174	92.91%	790	-57.44%
PAT	252	77	227.27%	462	-45.45%
EBITDA Margin (%)	32.46%	22.12%	1035bps	42.73%	-1027bps
NPM (%)	24.30%	9.76%	1454bps	24.96%	-66bps

Source: Company, KRChoksey Research

Increasing contribution from Analgesic/Anesthetic segment:

During Q1FY23, SLL reported Revenue of INR 1,037 Mn (+31.43% YoY / -43.98% QoQ). Such growth was mainly driven by strong sales from Analgesic/Anesthetic segment which contributed 51% to the topline against 15% in same period last year. Overall delay in the raw material supplies and export shipments lowered the revenue on QoQ basis, China being key markets for Anti-histamine therapeutic segment. SLL's top 12 products contributed around 70% of the revenue. Export markets contributed 82.90% of the revenue against 53.50% in the same period last year.

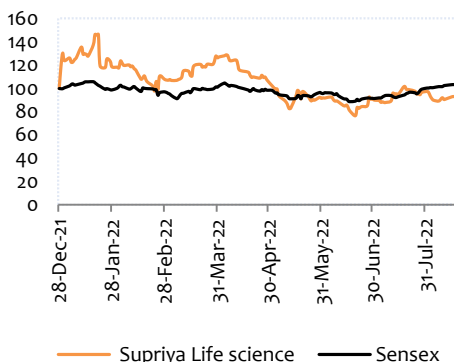
Higher solvent cost hurt margins:

On operational front EBITDA in Q1FY23 stood at INR 337 Mn (+92.91% YoY) but dipped on QoQ basis by 57.44%, OPM improved by 1,035 bps YoY and was largely impacted QoQ which came at 32.46% in Q1FY23. Increase in the cost of solvents weighed on the EBITDA margins during the quarter. Net Profit in Q1FY23 stood at INR 252 Mn against 77 Mn in Q1FY22 and it was down by 45.45% on QoQ basis. NPM came at 24.30%, up 1,454bps YoY and down marginally by 66bps on QoQ basis. Growth in the regulated markets came at 106% YoY mainly supported by European region. SLL's ability to register products in regulated market could help deliver decent topline while maintaining steady margins in the coming quarters.

Capitalising on CMO/CDMO opportunities:

For product lifecycle management and backward integration, SLL is building new R&D facilities at Lote Parshuram (to be operational by Q2FY23), and considerable progress is being made at Ambarnath for novel molecules, CMO and CDMO business (to be operational by Q3FY23). It is also expanding the product portfolio by focusing more on the anti-diabetic and CNS therapeutic areas.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	60,161
NIFTY	17,915

SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	68.24	68.24	68.24
FII's	5.99	7.13	10.30
DII's	10.33	7.73	7.90
Others	15.44	16.90	13.56
Total	100	100	100

17.61%

Revenue CAGR
between FY22 - FY24E

12.60%

EBITDA CAGR
between FY22 - FY24E

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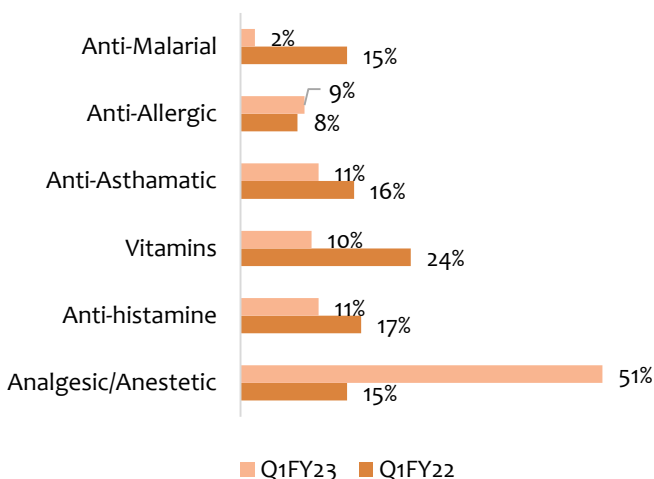
Valuation and view:

We believe SLL is well placed with its leadership position in niche products. It is poised for growth with capacity ramp up and with the support of experienced team. Its focus on R&D to add newer products in its basket and continuous expansion into newer geographies with existing products should augur well in the near future. Currently it is trading at 17.32x/14.69x on FY23E/24E earnings. **We recommend with “ACCUMULATE” rating on the stock as all the above mentioned factors provides good growth opportunities with a target price of INR 410/share (unchanged), applying PE multiple of 16.5x on FY24E EPS, indicating upside potential of 12.3% from CMP.**

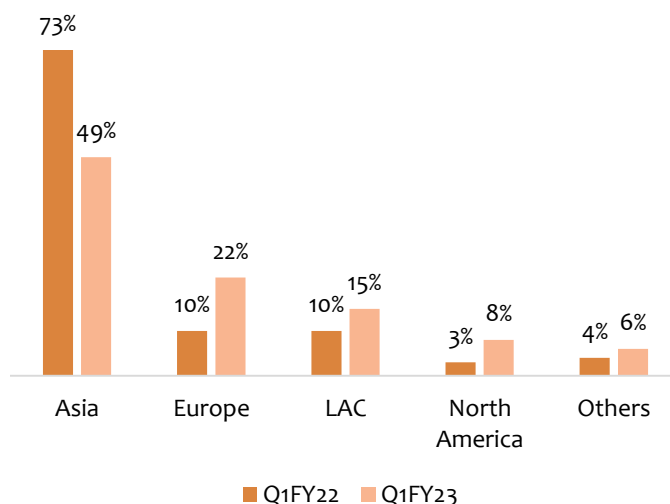
Key Concall Highlights:

- Its facilities are running at optimal capacity utilisation of 72% and the process of enhancing capacity is moving forward.
- Focus remains to sell existing products in regulated markets mainly in the allergy segment and a couple of more segments.
- The CMO and CDMO industries have achieved significant advancements.
- Work is being done with several companies ranging from big pharma to innovator companies.
- The company has made significant efforts to expand its operations globally, particularly in North America, Japan, Australia, and New Zealand.
- CRAMS project is expected to be scaled up and revenue contribution to come in from Q1FY24.
- It has started tapping the USA markets and targets CRAMS biz to be 20% of the total revenue in next 2-3years.

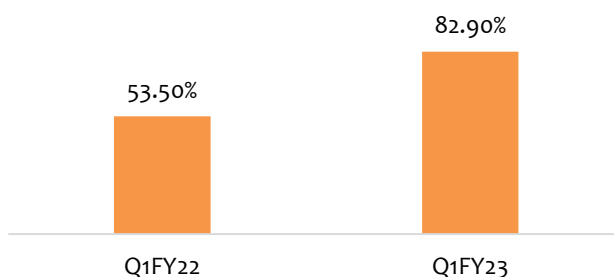
Segmental mix YoY



Geographical mix YoY



Increasing exports



Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY 20	FY 21	FY 22	FY 23E	FY 24E
Revenues	3,116	3,854	5,300	6,240	7,350
Other income	111	109	76	85	85
COGS	1,524	1,406	1,958	2,521	2,912
Gross profit	1,842	2,681	3,418	3,804	4,523
Employee cost	256	328	491	538	632
Other expenses	492	572	712	879	1,082
EBITDA	1,095	1,782	2,215	2,388	2,809
Depreciation & amortization	64	67	101	141	160
EBIT	1,031	1,715	2,114	2,247	2,649
Interest expense	68	41	42	0	0
PBT	962	1,674	2,072	2,247	2,649
Tax	228	436	554	550	649
Exceptional item	0	0	0	0	0
PAT	734	1,238	1,518	1,696	2,000
EPS (INR)	10.03	16.92	18.86	21.07	24.85

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Cash Flow statement (INR Mn)	FY20	FY 21	FY 22	FY 23E	FY 24E
Operating Cash Flow	1161	799	488	1,887	1,734
Investing Cash Flow	(245)	(474)	(598)	(300)	(450)
Financing Cash Flow	(292)	(149)	1,497	(220)	(7)
Net Inc/Dec in cash equivalents	623	176	1,386	1,367	1,277
Opening Balance	124	747	923	2,309	3,676
Closing Balance Cash & Cash Equiv.	747	923	2,309	3,676	4,953

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margins (%)	33.92%	44.96%	41.21%	38.30%	38.50%
Net Profit Margin (%)	22.75%	31.25%	28.23%	27.21%	27.41%
RoE^ (%)	49.20%	46.04%	24.65%	21.60%	20.30%
RoCE^ (%)	66.98%	63.27%	34.33%	28.61%	26.88%
RoA (%)	21.83%	27.78%	20.65%	18.44%	17.47%
Debt/Equity	0.01x	0.00x	0.00x	0.00x	0.00x

^ROE & ROCE has been adjusted with latest post issue equity for FY22E/23E/24E.

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

Balance Sheet (INR Mn)	FY19	FY20	FY21	FY22	FY23E	FY 24E
Property, plant and equipment	805	929	955	1,825	2,020	2,287
Right to use assets	22	18	15	58	73	100
Capital work in progress	354	402	788	434	549	598
Intangible assets	20	32	30	15	13	13
Financial assets						
Investments	1	1	1	1	1	150
Other financial assets	0	2	4	0	4	4
Total non current assets	1,201	1,384	1,793	2,372	2,700	3,192
Current assets						
Inventories	307	495	725	923	1,093	1,279
Financial assets						
Trade receivables	600	525	737	1,152	1,230	1,439
Cash and cash equivalents	17	15	436	2,279	3,676	4,953
Other financial assets	107	732	488	60	60	60
Loans and advances	124	10	12	6	6	6
Other current assets	175	203	266	555	437	515
Total current assets	1,329	1,979	2,664	4,975	6,502	8,252
TOTAL ASSETS	2,531	3,363	4,457	7,348	9,202	11,444
EQUITY AND LIABILITIES						
Equity						
Equity share capital	146	146	146	161	161	161
Other equity	792	1,346	2,543	5,996	7,693	9,692
Total equity	938	1,492	2,689	6,157	7,854	9,853
Liabilities						
Non-current liabilities						
Financial liabilities						
Borrowings	81	24	0	0	0	0
Lease liabilities	25	23	21	53	53	53
Other financial liabilities	33	186	195	0	0	0
Provisions	7	10	13	29	22	26
Deferred tax liabilities (Net)	97	75	80	111	184	240
Total non-current liabilities	244	318	309	194	259	319
Current liabilities						
Financial liabilities						
Borrowings	772	767	674	213	0	0
Trade payables	441	494	510	490	837	979
Other financial liabilities	45	31	27	8	0	0
Provisions	12	15	15	4	4	4
Other current liabilities	37	225	82	274	240	281
Current tax liabilities (Net)	41	22	152	0	0	0
Total current liabilities	1,349	1,554	1,460	997	1,089	1,273
Total liabilities	1,593	1,872	1,769	1,191	1,348	1,591
TOTAL EQUITY AND LIABILITIES	2,531	3,364	4,458	7,348	9,202	11,444

Source: Company, KRChoksey Research

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Supriya Lifescience Ltd.				Rating Legend (Expected over a 12-month period)		
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside	
18-Aug-22	365	410	ACCUMULATE	Buy	More than 15%	
2-July-22	351	410	BUY			
					Accumulate	5% – 15%
					Hold	0 – 5%
					Reduce	-5% – 0
				Sell	Less than – 5%	

ANALYST CERTIFICATION:

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