

SUPRIYA LIFESCIENCE LTD.



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Revenue recovered; challenges remain in china market

CMP INR 248	Target INR 292	Potential Upside 17.8%	Market Cap (INRmn) INR 2,00,322	Recommendation BUY	Sector Pharma
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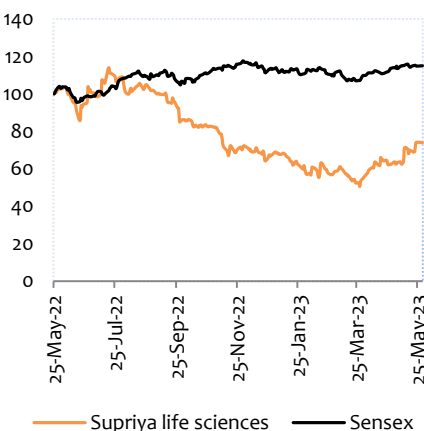
Result Highlights of Q4FY23:

- During Q4FY23, Supriya Lifesciences Ltd. reported a revenue of INR 1422.7Mn it grew by 35.31% QoQ (-21.51% YoY) as a result of good traction seen in North America, Latin America and European markets. For FY23, the revenue stood at INR 4069 Mn.
- EBITDA for the quarter stood at INR 550 Mn(-27% YoY and +292% QoQ). The EBITDA margins grew by 2533 bps QoQ (-281 bps YoY) primarily on the account of improved revenue and product mix in regulated markets.
- Net profit for the quarter stood at INR 382.28 Mn (-17% YoY and +302% QoQ) The PAT margins grew by 138 bps YoY and 1782bps QoQ to 26.9%.
- EPS is reported at INR 4.75 as against INR 1.18 in Q3FY23 and INR 5.74 in Q4FY22.

MARKET DATA

Shares outs (mn)	80
Mkt Cap (INRmn)	2,00,322
52 Wk H/L (INR)	406.7/170.1
Volume Avg (3m K)	403
Face Value (INR)	2
Bloomberg Code	SUPRIYA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	62.969
NIFTY	18,633

KEY FINANCIALS

INR mn	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ
Revenue	1,423	1,813	-22%	1,051	35%
EBITDA	550	752	-27%	140	292%
PAT	382	462	-17%	95	302%
EBITDA Margin (%)	39%	41%	-280bps	13%	2533 bps
NPM (%)	27%	25%	137 bps	9%	1781 bps

Source: Company, KRChoksey Research

Revenue improves, challenges in China market continue:

Supriya Life Science reported a quarterly revenue growth of INR 1422.7 mn in Q4FY23, compared to INR 1051.0 mn in Q3FY23. The growth was primarily supported by strong traction in the US, Europe, and Latin America markets. Therapies such as Anti-Anesthetic, Anti-Allergic, and Asthmatic played a key role in driving this growth. The company's proactive focus on optimizing the product mix in regulated markets and achieving strong sales traction led to an increase in margins, reaching 38.69% for the quarter. While the contributions from Anti-Histamine, Vitamins, and Anti-Malarial therapies decreased to 15%, 11%, and 2% respectively for FY23 (compared to 21%, 12%, and 9% in FY22), Analgesic/Anesthetic, Anti-Asthmatic, and Anti-Allergic therapies saw an increase in their contributions, reaching 44%, 12%, and 8% respectively (compared to 41%, 8%, and 5% in FY22). In terms of revenue contribution by region in Q4FY23, Europe, Latin America, and Other markets accounted for 35%, 13%, and 7% respectively. The revenue contribution from Asia and North American markets remained at 40% and 5% respectively. The company's top 12 products were responsible for 78% of the revenue in Q4FY23. However, the situation in China continues to be challenging, primarily due to low demand for the Anti-Histamine therapy. The management anticipates this situation to persist for the next few quarters. To address this, the company has initiated a de-risking strategy by diversifying its product portfolio and reducing reliance on a specific geography, likely referring to China.

Venturing into new markets and update on CMO/CDMO projects:

To reduce customer concentration and expand market reach, the company has devised a strategy to introduce its existing products into new geographies. Furthermore, the company is in the process of constructing two additional R&D centers at Lote Parshuram and Ambarnath to focus on developing new niche items with significant volume potential. With a presence in more than 86 countries, the company currently serves over 1200+ customers. To further expand its operations, the company has secured a key contract manufacturing organization (CMO) project with a leading European company. This contract spans a period of 10 years and is expected to generate peak revenue of 40 Crs/year, starting from FY27. In addition to this project, the company has identified two similar opportunities in the API and advanced intermediate space, indicating potential growth prospects.

SHARE HOLDING PATTERN (%)

Particulars	Mar-23	Dec-22	Sep-22
Promoters	68.28	68.24	68.24
FIIIs	5.66	6.24	6.79
DIIIs	7.65	7.89	8.88
Others	18.43	17.62	16.09
Total	100	100	100

19.9%

Revenue CAGR
between FY23 - FY25E

27.9%

PAT CAGR between
FY23 - FY25E

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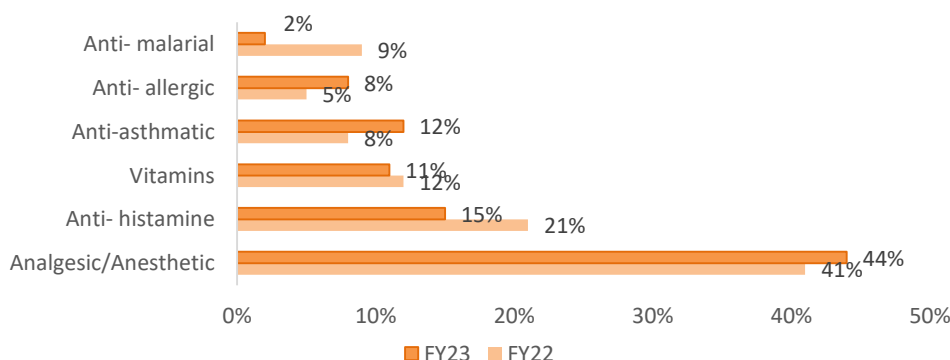
Valuation and view:

Surpiya lifescience Ltd. has faced multiple headwinds during FY23. The Chinese market continues to remain a concern for the company as a result the management is de-risking the current product basket, minimising geographical reliance, and introducing new product baskets. We are optimistic about the growth of SLL that would be driven by Anti-hypertensive, Vitamins, Anti-Allergic, Decongestant and Anti-asthmatic therapies and new launches. Currently, it is trading at 17.6x/13.6x on FY24E/25E earnings. At CMP, we maintain a “BUY” rating on the stock with a revised target price of INR 292/share, applying PE multiple of 16x on FY25E EPS, giving upside of 17.8% on CMP

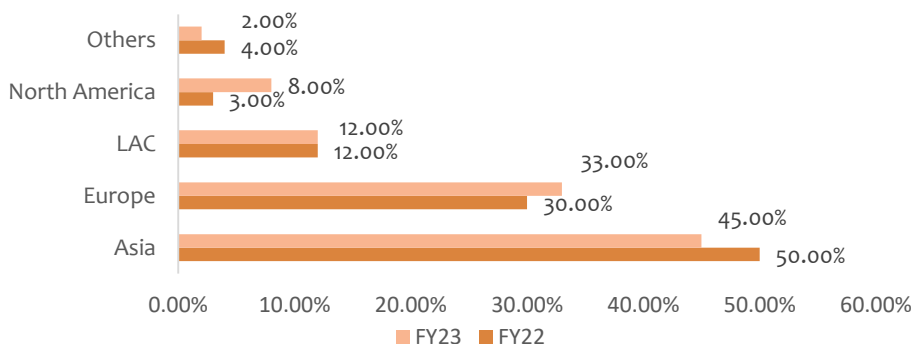
Key Concall Highlights:

- Despite the challenges faced by the pharmaceutical industry, the company performed well, particularly in Europe, North America, and Latin America. There was also an increased demand for therapies such as Anesthetic, Asthmatic, and Anti-Allergic.
- The management anticipates persistent challenges in the Chinese market and acknowledges that the timeline for sales recovery remains uncertain. To address this, they intend to engage in further discussions to gain a better understanding of the situation and will make the necessary adjustments to their strategy in order to navigate the difficulties in the Chinese market effectively.
- The Chinese market remains volatile with unstable demands and price pressures, and the management anticipates a similar situation for the next few quarters. To address this, the company is actively pursuing new developments and placing a greater emphasis on therapies like Anti-Asthmatic.
- The company experienced improved margins for the quarter due to strong sales and a favorable product mix in regulated markets, specifically in Europe, Latin America, and North America. Anti-Asthma and Anti-Allergic therapies performed well in these regions. Notably, commercialization of orders placed in Europe during Q3FY23 occurred in Q4FY23.
- In the upcoming fiscal year, the management plans to introduce three new products, with research and development and validations expected to be completed by Q3FY24. Commercialization of these products is anticipated to commence in Q1FY25.
- The company saw an increase in current assets due to land advances during the year, and they anticipate a gradual reduction in their high working capital cycle.
- Salbutamol is expected to experience faster growth in Europe and North America, and the management is actively engaging with several customers regarding this opportunity. Additionally, the management expects contributions from Anti-hypertensive, Vitamins, Anti-Allergic, Decongestant, and Anti-Asthmatic ranges during FY24.
- Looking ahead, the management expects EBITDA margins to be in the range of 28-30%. They have set ambitious goals to double the company's revenue by FY26-27.

Segmental mix YoY



Geographical mix YoY



Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INRmn)	FY 20	FY 21	FY 22	FY 23	FY 24E	FY25E
Revenues	3,116	3,912	5,300	4,609	5,524	6,634
Other income	1,385	1,281	1,958	1,808	2,309	2,700
COGS	1,732	2,631	3,342	2,801	3,215	3,934
Gross profit	256	328	491	556	746	896
Employee cost	492	572	712	956	884	1,062
Other expenses	984	1,731	2,140	1,289	1,586	1,977
EBITDA	64	67	101	118	132	122
Depreciation & amortization	920	1,664	2,039	1,171	1,453	1,855
EBIT	68	41	42	31	33	31
Interest expense	111	50	76	95	89	109
PBT	962	1,674	2,073	1,235	1,510	1,933
Tax	228	436	554	336	377	464
Exceptional item	0	0	0	0	0	0
PAT	734	1,238	1,519	899	1,132	1,469
EPS (INR)	10.0	16.9	18.9	11.2	14.1	18.3

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Cash Flow statement (INRmn)	FY 20	FY 21	FY 22	FY 23	FY 24E	FY25E
Operating Cash Flow	1161	759	488	662	1999	1326
Investing Cash Flow	-245	-468	-598	-1331	-300	-300
Financing Cash Flow	-292	-145	1497	-34	-81	-79
Net Inc/Dec in cash equivalents	623	146	1386	-703	1618	947
Opening Balance	124	747	893	2279	1576	3194
Closing Balance Cash & Cash Equiv.	747	893	2279	1576	3194	4141

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY20	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margins (%)	31.57%	44.26%	40.37%	27.96%	28.70%	29.80%
Net Profit Margin (%)	23.55%	31.59%	28.64%	19.49%	20.49%	22.15%
RoE^ (%)	49.20%	46.02%	24.66%	12.85%	14.01%	15.47%
RoCE^ (%)	40.31%	49.12%	32.01%	16.35%	17.63%	19.20%
RoA (%)	21.82%	27.74%	20.66%	10.95%	12.01%	13.30%
Debt/Equity	0.53	0.26	0.03	0.02	0.02	0.02

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

INR Mn	FY21	FY22	FY23	FY24E	FY25E
Property, plant and equipment	970	1825	2551	2718	2897
Right to use assets	15	58	53	53	53
Capital work in progress	788	434	676	676	676
Intangible assets	16	15	11	11	11
Financial assets	0	0	0	0	0
Investments	1	1	253	253	253
Other financial assets	0	0	0	0	0
Other current assets	11	40	9	9	9
Total non current assets	1,800	2,372	3,554	3,721	3,899
Current assets					
Inventories	725	923	1158	969	1163
Trade receivables	735	1152	847	1090	1309
Cash and cash equivalents	893	2279	1576	3194	4141
Other financial assets	30	60	64	64	64
Loans and advances	5	6	5	5	5
Other current assets	267	555	999	387	464
Total current assets	2,655	4,975	4,649	5,709	7,147
TOTAL ASSETS	4,455	7,348	8,203	9,430	11,047
EQUITY AND LIABILITIES					
Equity					
Equity share capital	146	161	161	161	161
Other equity	2539	5996	6834	7917	9338
Total equity	2,686	6,157	6,995	8,078	9,499
Liabilities					
Lease liabilities	21	53	55	55	55
Other financial liabilities	195	0	0	0	0
Provisions	13	29	59	19	23
Deferred tax liabilities (Net)	80	111	137	137	137
Total non-current liabilities	309	194	250	211	215
Borrowings	701	213	166	166	166
Trade payables	510	490	642	742	891
Other financial liabilities	6	8	8	8	8
Provisions	9	4	8	8	8
Other current liabilities	234	274	129	213	255
Current tax liabilities (Net)	0	8	4	4	4
Total current liabilities	1,460	997	958	1,141	1,332
Total liabilities	1,769	1,191	1,208	1,352	1,547
TOTAL EQUITY AND LIABILITIES	4,455	7,348	8,203	9,430	11,047

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
31-May-23	248	292	BUY	Buy	More than 15%
17-Feb-23	220	278	BUY	Accumulate	5% – 15%
14-Nov-22	251	348	BUY	Hold	0 – 5%
18-Aug-22	365	410	ACCUMULATE	Reduce	-5% – 0
2-July-22	351	410	BUY	Sell	Less than – 5%

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