

Q4FY24 Supriya Lifescience Ltd



Supriya Lifescience Ltd

New product launches and new contracts to drive growth

CMP INR 348*	Target INR 401	Potential Upside 15.2%	Market Cap (INR Mn) INR 27,847	Recommendation BUY	Sector Pharmaceuticals
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Result Highlights of Q4FY24:

- Supriya Life science's revenue beat our estimate (+5.8%) due to growth in Vitamin and Anti-Histamine segment. The EBITDA beat our estimate (+22.4%) due to lower-than-expected employee expenses, and lower-than-expected other expenses.
- Currently, the stock is trading at 19.3x/15.6x, based on FY25E/FY26E EPS respectively. We apply a PE multiple of 18.05x on FY26E EPS and arrive at a target price of INR 401/share and retain our rating of BUY.
- We believe the regulated market share will increase going forward which will support the profitability. Key areas to watch include commencement of Ambernath facility which is used for CDMO projects, launch of new products in FY25E and contracts in the pipeline which are expected to commercialize in H2FY25E.

MARKET DATA

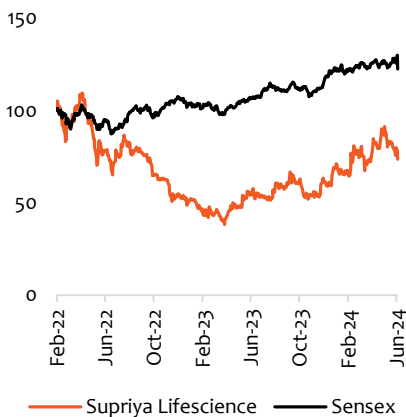
Shares outs (Mn)	80
Equity Cap (INR Mn)	8,154
Mkt Cap (INR Mn)	27,847
52 Wk H/L (INR)	424/233
Volume Avg (3m K)	381
Face Value (INR)	2
Bloomberg Code	SUPRIYA IN

KEY FINANCIALS

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,300	4,609	5,704	6,850	8,229
EBITDA	712	956	1,080	1,336	1,605
EBITDA margin (%)	40.4%	28.0%	30.3%	29.0%	29.0%
Adj PAT	1,518	899	1,191	1,449	1,790
Adj PAT margin (%)	28.6%	19.5%	20.9%	21.2%	21.7%
Adj EPS	18.9	11.2	14.8	18.0	22.2
P/E (x)	18.4	31.2	23.5	19.3	15.6

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



*Since listed

MARKET INFO

SENSEX	74,382
NIFTY	22,620

Revenue growth for FY24 is in-line with the management guidance

- For Q4FY24, the revenue increased 11.2% YoY (+12.9% QoQ) to INR 1,582 Mn. For FY24, the revenue increased 23.7% YoY to INR 5,704 Mn.
- The quarterly revenue was driven by Vitamin segment (17.0% of revenue, +113.9% YoY), Anti-Histamine segment (22.0% of revenue, +22.8% YoY), others (26.0% of revenue, 257.6% YoY) which was partially offset by Anesthetic segment (31.0% of revenue, -24.8% YoY).
- In Q4FY24, the exports contributed 80.0% of revenue and 20.0% is domestic. Geographically, the regulated market share for Europe has gone up to 43.0% in Q4FY24 (35.0% in Q3FY24), North America and Latin America share was stable.
- The management is expecting the regulated market share will go up for next couple of quarters. The guidance for revenue growth in FY25E is 20.0% based on the overall blended portfolio.
- The Ambernath facility will start production in Q2FY25E. The validation will happen and the commercial production to reach peak capacity will take two to three years. This plant is used for CDMO projects which is expected to contribute 20.0% to 25.0% of total revenue in next two to three years.

Increase in regulated market share expanded FY24 profitability margins

- The EBITDA increased by 0.8% YoY (+33.8% QoQ) to INR 555 Mn. The EBITDA margin contracted 360 bps YoY (+547 bps QoQ) to 35.1%.
- In FY24, the EBITDA margins expanded 236 bps to 30.3% due to increase in regulated markets share compared to semi-regulated markets.
- Adj PAT declined 3.4% YoY (+24.0% QoQ) to INR 369 Mn. Adj PAT margin contracted 352 bps YoY (+208 bps QoQ) to 23.3%.
- The Company maintained the guidance for EBITDA margin in FY25E is 28.0% to 30.0%.

SHARE HOLDING PATTERN (%)

Particulars	Mar-24	Dec-23	Sep-23
Promoters	68.3	68.3	68.3
FIIIs	5.4	4.5	5.3
DIIIs	5.3	5.4	7.2
Others	21.0	21.8	19.2
Total	100.0	100.0	100.0

*Based on Today's closing

20.1%

Revenue CAGR between FY24 and FY26E

22.6%

Adj. PAT CAGR between FY24 and FY26E

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Key Concall Highlights:

- The firm's long-term and sustainable strategy, which includes expanding the product offering in regulated markets, focusing on more regulated markets, and diversifying its portfolio by bringing in new molecules and therapies, was successfully executed in FY24, contributing to the expansion of the Company.
- Beyond its long-standing expertise in antihistamines, the Company has developed a pipeline of new products that includes **antidiabetics, anesthetics, and other therapeutic areas**. These products will be **launched by Q3FY25E**.
- The Company wants to expand its business portfolio by creating a contract development and manufacturing organization, or CDMO. The site in **Ambarnath** will be **ready by Q2FY25E**, where the Company will be further expanding their CMO and CDMO activities.
- Working capital days for the Company were improved from **235 days to 124 days**. The primary cause of this is the decrease in **total inventory days**, which went from **233 days to 165 days**.
- The Company has successfully registered **10 products with CADIFA**, which is an ANVISA letter that confirms the acceptance of the API dossier. In addition, there are currently **eight products** undergoing the registration process.
- With the registrations, there is a significant market opportunity in Brazil, where management expecting to add at least **INR 2,000 Mn** to the **top-line** in the next **three years**.
- The Company is an exclusive supplier of **Vitamin B2** in **partnership with DSM**. The Company has **numerous contracts** in the pipeline for **advanced intermediates and API** that are set to be **commercialized in the second half of FY25E**.
- Over the past two to three years, the Company has been dedicated to expanding its capacity to meet the **demand for existing products in the regulated market**. This focus is evident in the numbers.
- It is anticipated that the majority of **new product launches will commence in FY25E**, with a plan to introduce **four to five products**.

Valuation and view:

Supriya Lifescience reported low double-digit revenue growth in Q4FY24 which was driven by strong growth in Vitamin and Anti-Histamine segment. The regulated market share has gone up with increase in revenue contribution from Europe and stable contribution from North America and Latin America. In FY24, the numbers were in-line with the management guidance. We believe the regulated market share will increase going forward which will support the profitability. Key areas to watch include commencement of Ambarnath facility which is used for CDMO projects, launch of new products in FY25E and contracts in the pipeline which are expected to commercialize in H2FY25E. **The stock has declined 1.7% since our last update. Currently, the stock is trading at 19.3x/15.6x, based on FY25E/FY26E EPS respectively. We expect the revenue to grow at 20.1% and Adj PAT to grow at 22.3% CAGR over FY24-FY26E. We apply a PE multiple of 18.05x on FY26E EPS and arrive at a target price of INR 401/share and retain our rating of BUY. The stock has upside potential of 15.2% from the CMP.**

Q4FY24 Analysis

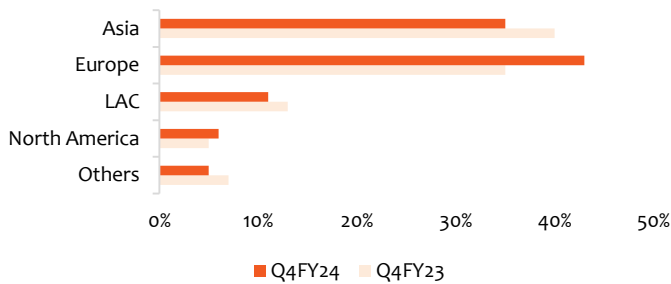
Particulars (INR Mn)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y	FY24	FY23	Y-o-Y
Revenue from Operations	1,582	1,401	1,423	12.9%	11.2%	5,704	4,609	23.7%
Total Expenditure	1,027	986	872	4.1%	17.7%	3,974	3,320	19.7%
Cost of Raw Materials	484	448	475	7.8%	1.8%	1,914	1,873	2.2%
Purchase of Stock	0	0	0	NA	NA	0	0	NA
Changes in Inventories	99	98	0	1.3%	NA	303	-65	-565.9%
Employee Cost	171	176	153	-2.4%	12.0%	676	556	21.7%
Other Expenses	273	264	244	3.3%	11.9%	1,080	956	12.9%
EBITDA	555	415	550	33.8%	0.8%	1,730	1,289	34.2%
EBITDA Margins (%)	35.1%	29.6%	38.7%	547 bps	-360 bps	30.3%	28.0%	236 bps
Depreciation	39	40	30	-1.2%	30.2%	158	118	33.8%
EBIT	516	375	520	37.5%	-0.9%	1,572	1,171	34.2%
Other Income	22	31	20	-28.7%	11.3%	106	95	12.1%
Interest Expense	6	5	7	21.7%	-15.8%	21	31	-31.5%
PBT	532	401	533	32.6%	-0.2%	1,657	1,235	34.2%
Tax	162	103	151	57.5%	7.9%	466	336	38.5%
Share of Associates	0	0	0	NA	NA	0	0	NA
Minority Interest	0	0	0	NA	NA	0	0	NA
PAT	369	298	382	24.0%	-3.4%	1,191	899	32.6%
PAT Margin (%)	23.3%	21.3%	26.9%	208 bps	-352 bps	20.9%	19.5%	139 bps
EPS	4.6	3.7	4.7	24.1%	-3.4%	14.8	11.2	32.5%
Adj. PAT	369	298	382	24.0%	-3.4%	1,191	899	32.6%
Adj. PAT Margin (%)	23.3%	21.3%	26.9%	208 bps	-352 bps	20.9%	19.5%	139 bps
Adj. EPS	4.6	3.7	4.7	24.0%	-3.4%	14.8	11.2	32.6%

Source: Company, KRChoksey Research

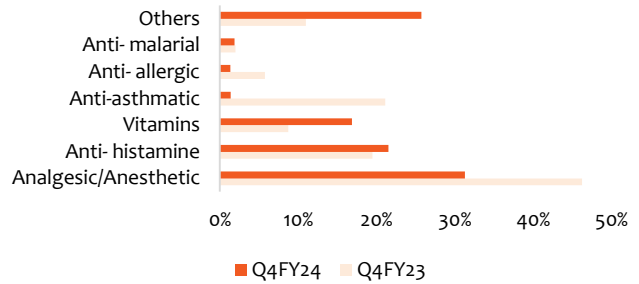
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Revenue mix in charts

Europe contribution increased which leads to increase in regulated market share



Vitamins and Anti-Histamine had a major growth



Source: Company, KRChoksey Research

Q4FY24 – Actual vs Estimates

Particulars (INR Mn)	Q4FY24A	Q4FY24E	Deviation
Revenue	1,582	1,495	5.8%
EBITDA	555	453	22.4%
Adj. PAT	369	326	13.1%

Source: Company, KRChoksey Research

Revision in FY25E and FY26E estimates

Particulars (INR Mn)	Revised estimates		Previous estimates		Change	
	FY 25E	FY 26E	FY 25E	FY 26E	FY 25E	FY 26E
Revenue	6,850	8,229	6,864	8,376	-0.2%	-1.7%
EBITDA	1,336	1,605	1,339	1,633	-0.2%	-1.7%
PAT	1,449	1,790	1,500	1,846	-3.4%	-3.0%

Source: Company, KRChoksey Research

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY22	FY23	FY24	FY25E	FY26E
Revenues	5,300	4,609	5,704	6,850	8,229
COGS	1,958	1,808	2,217	2,637	3,168
Gross profit	3,342	2,801	3,486	4,213	5,061
Employee cost	491	556	676	890	1,070
Other expenses	712	956	1,080	1,336	1,605
EBITDA	2,140	1,289	1,730	1,986	2,387
Depreciation & amortization	101	118	158	137	151
EBIT	2,039	1,171	1,572	1,849	2,236
Interest expense	42	31	21	0	0
Other income	76	95	106	83	91
PBT	2,072	1,235	1,657	1,932	2,327
Tax	554	336	466	483	537
Exceptional item	0	0	0	0	0
PAT	1,518	899	1,191	1,449	1,790
EPS (INR)	18.9	11.2	14.8	18.0	22.2

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Mn	FY22	FY23	FY24	FY25E	FY26E
Operating Cash Flow	488	662	1,133	2,529	1,573
Investing Cash Flow	-598	-1,331	-1,736	-300	-300
Financing Cash Flow	1,497	-34	-224	-48	-48
Net Inc/Dec in cash equivalents	1,386	-703	-826	2,181	1,225
Opening Balance	893	2,279	1,576	750	2,931
Closing Balance Cash & Cash Equiv.	2,279	1,576	750	2,931	4,156

Source: Company, KRChoksey Research

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Exhibit 3: Key Ratios

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margins (%)	40.4%	28.0%	30.3%	29.0%	29.0%
Net Profit Margin (%)	28.6%	19.5%	20.9%	21.2%	21.7%
RoE (%)	24.7%	12.8%	14.6%	15.2%	15.8%
RoCE (%)	32.0%	16.4%	19.3%	19.4%	19.8%
RoA (%)	20.7%	11.0%	12.9%	13.1%	13.7%

Source: Company, KRChoksey Research

Exhibit 4: Balance Sheet

INR Millions	FY 22	FY 23	FY 24	FY 25E	FY 26E
Property, plant and equipment	1,825	2,551	3,037	2,856	3,005
Right to use assets	58	53	48	48	48
Capital work in progress	434	676	1,488	1,488	1,488
Intangible assets	15	11	17	17	17
Financial assets	0	0	0	0	0
Investments	1	253	638	638	638
Other financial assets	0	0	0	0	0
Other current assets	40	9	7	7	7
Total non-current assets	2,372	3,554	5,234	5,053	5,203
Current assets					
Inventories	923	1,158	852	1,201	1,443
Trade receivables	1,152	847	1,117	1,351	1,623
Cash and cash equivalents	2,279	1,576	750	2,931	4,156
Other financial assets	60	64	45	45	45
Loans and advances	6	5	7	7	7
Other current assets	555	999	1,207	479	576
Total current assets	4,975	4,649	3,978	6,015	7,850
TOTAL ASSETS	7,348	8,203	9,212	11,068	13,053
EQUITY AND LIABILITIES					
Equity					
Equity share capital	161	161	161	161	161
Other equity	5,996	6,834	7,993	9,394	11,135
Total equity	6,157	6,995	8,154	9,555	11,296
Liabilities					
Non-current liabilities					
Financial liabilities					
Borrowings	0	0	0	0	0
Lease liabilities	53	55	50	50	50
Other financial liabilities	0	0	0	0	0
Provisions	29	59	8	24	29
Deferred tax liabilities (Net)	111	137	232	232	232
Total non-current liabilities	194	250	290	306	311
Current liabilities					
Financial liabilities					
Borrowings	213	166	0	0	0
Trade payables	490	642	596	920	1,105
Other financial liabilities	8	8	16	16	16
Provisions	4	8	4	4	4
Other current liabilities	274	129	149	264	317
Current tax liabilities (Net)	8	4	5	5	5
Total current liabilities	997	958	769	1,207	1,446
Total liabilities	1,191	1,208	1,059	1,513	1,757
TOTAL EQUITY AND LIABILITIES	7,348	8,203	9,212	11,068	13,053

Source: Company, KRChoksey Research

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Date	CMP (INR)	TP (INR)	Recommendation
05-Jun-24	348	401	BUY
14-Feb-24	343	401	BUY
23-Nov-23	253	272	ACCUMULATE
28-Aug-23	269	292	ACCUMULATE
31-May-23	248	292	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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