

Q1FY25 Supriya Lifescience Ltd



Supriya Lifescience Ltd

Better product mix and geographical mix led to strong performance

CMP INR 501*	Target INR 578	Potential Upside 15.3%	Market Cap (INR Mn) INR 40,563	Recommendation BUY	Sector Pharmaceuticals
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Result Highlights of Q1FY25:

- Supriya Lifescience's revenue was in-line with our estimate. EBITDA beat our estimate due to lower-than-expected cost of goods sold and operating expenses.
- We believe the Company's CDMO business is poised for growth with the increase in total capacity to 1,020 KL by Q2FY25E from the current capacity of 597 KL.
- We increase our FY25E and FY26E EPS by 5.6% and 2.0%, respectively, due to strong operational performance led by a favorable product mix. We assign a PE multiple of 25.5x (previously: 18.1x) on FY26E EPS of INR 22.6 (previously: INR 22.2) to arrive at a target price of INR 578 (previously: INR 337) as the Company's top-line growth momentum will continue with the introduction of three to four new products by the end of FY25E.

MARKET DATA

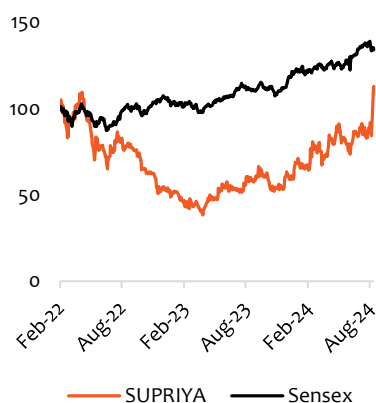
Shares outs (Mn)	80
Equity Cap (INR Mn)	8,154
Mkt Cap (INR Mn)	40,563
52 Wk H/L (INR)	540/235
Volume Avg (3m K)	499
Face Value (INR)	2
Bloomberg Code	SUPRIYA IN

KEY FINANCIALS

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,300	4,609	5,704	6,866	8,302
EBITDA	712	956	1,080	2,151	2,474
EBITDA margin (%)	40.4%	28.0%	30.3%	31.3%	29.8%
Adj PAT	1,518	899	1,191	1,530	1,823
Adj PAT margin (%)	28.6%	19.5%	20.9%	22.3%	22.0%
Adj EPS	18.9	11.2	14.8	19.0	22.6
P/E (x)	26.6	44.9	33.9	26.4	22.1

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



*Since listed

MARKET INFO

SENSEX	79,106
NIFTY	24,144

Increase in the share of regulated markets boosted top-line

- In Q1FY25, the revenue increased 21.7% YoY (+1.5% QoQ) to INR 1,606 Mn, due to expanding market reach, particularly in highly regulated markets, and broadening the product portfolio in these regions.
- The growth was driven by Analgesic (49.0% of revenue) grew by 18.4% YoY (57.4% QoQ) to INR 779 Mn, Anti-histamine (12.0% of revenue) declined by 32.8% YoY (-45.2% QoQ) to INR 186 Mn, Vitamin (11.0% of revenue) grew by 43.1% YoY (-33.1% QoQ) to INR 178 Mn.
- Anti-asthma (7.0% of revenue) declined by 19.0% YoY (+405.1% QoQ) to INR 112 Mn, Others (13.0% of revenue) grew by 86.3% YoY (-47.9% QoQ) to INR 212 Mn.
- Revenue contribution from Europe increased significantly to 51.0% in Q1FY25 from 34.0% in Q1FY24. Latin America's revenue remained stable at 9.0%.

Higher pricing and a better product mix supported profitability

- The EBITDA increased 41.4% YoY (+12.7% QoQ) to INR 625 Mn. EBITDA margin expanded 543 bps YoY (+385 bps QoQ) to 38.9%, due to mature products doing well in regulated markets, where pricing is higher.
- Adj. PAT grew by 56.6% YoY (+20.9% QoQ) to INR 446 Mn, Adj. PAT margin expanded 620 bps YoY (+445 bps QoQ) to 27.8%.
- The current high EBITDA margin profile is expected to normalize with newer product launches in semi-regulated markets.
- The Company expects margins to be 30.0% plus but will provide more specific guidance after Q2FY25E.

SHARE HOLDING PATTERN (%)

Particulars	Jun-24	Mar-24	Dec-23
Promoters	68.3	68.3	68.3
FIIIs	5.0	5.4	4.6
DIIIs	5.4	5.3	5.3
Others	21.3	21.0	21.8
Total	100	100	100

*Based on Today's closing

20.6%

Revenue CAGR between FY24 and FY26E

23.7%

Adj. PAT CAGR between FY24 and FY26E

Supriya Lifescience Ltd

Key Concall Highlights:

- **New product launches** are focused on therapeutic categories such as **anti-anxiety, anesthetics, and antidiabetic**. The Company is expecting at least **three to four product launches** in these categories by the end of FY25E.
- The Company expects its market share in **North America and Latin America** to increase once **new products are launched and they start contributing to revenue**.
- An **R&D facility** has been set up at the **Ambernath** location to will focus on **contract research projects**.
- The Ambernath R&D facility will also be involved in developing **newer APIs** for future inclusion in the Company's product portfolio.
- The global supply comes from a non-GMP, non-ISO plant, but the Company's plant meets GMP, U.S. FDA, and ISO criteria, which is attractive to customers due to safety concerns.
- The Company's focus on **regulated markets and commitment to quality**, consistency, and integrity is **expected to result in higher pricing and longer-term vendor relationships** (10-15 years).
- The Company's 20.0% revenue guidance is considered conservative, with potential for better performance due to new contracts and launches.
- The Company also intends to **expand its Contract Development and Manufacturing Organization (CDMO)** business portfolio with the addition of molecule E will be providing an **additional 500 KL of capacity**.
- With the addition of new capacities, **total capacity** would be equivalent to **1,020 KL** by the end of **Q2FY25E**.
- **New products** are expected to be **launched in H2FY25E**. The launch of these new products will lead to **margin normalization**.
- New products will be launched in **North American and Latin American** markets, which are expected to have a **larger market size compared to Europe**.

Valuation and view:

Supriya Lifescience experienced robust revenue growth driven by increase in regulated markets share, especially from Europe. Profitability margin expansion in Q1FY25 was supported by a strong performance of mature products where the pricing was higher. We believe the Company's CDMO business is poised for growth with the increase in total capacity to 1,020 KL by Q2FY25E from the current capacity of 597 KL. The Company is strategically focused on expanding its presence in regulated markets, with an emphasis on launching new products in key therapeutic areas such as anti-anxiety, anesthetics, and antidiabetic treatments. **We increase our FY25E and FY26E EPS by 5.6% and 2.0%, respectively, due to strong operational performance led by a favorable product mix. We expect the revenue to grow at 20.6% CAGR and Adj. PAT to grow at 23.7% CAGR over FY24-FY26E. The stock has appreciated 48.7% since our last quarterly update. Currently, the stock is trading at PE multiples of 26.4x/22.1x based on FY25E/FY26E EPS, respectively. We assign a PE multiple of 25.5x (previously: 18.1x) on FY26E EPS of INR 22.6 (previously: INR 22.2) to arrive at a target price of INR 578 (previously: INR 337) as the Company's top-line growth momentum will continue with the introduction of three to four new products by the end of FY25E, which are expected to boost market share in North America and Latin America. Given a 15.3% upside, we maintain our rating of "BUY" on the stock.**

Q1FY25 Analysis

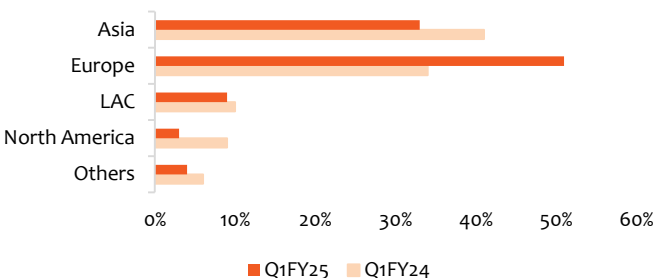
Particulars (INR Mn)	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
Revenue from Operations	1,606	1,582	1,320	1.5%	21.7%
Total Expenditure	981	1,027	878	-4.5%	11.7%
Cost of Raw Materials	557	484	475	15.2%	17.2%
Purchase of Stock	0	0	0	NA	NA
Changes in Inventories	-71	99	-3	-172.0%	NA
Employee Cost	201	171	154	17.1%	30.2%
Other Expenses	294	273	251	7.8%	16.9%
EBITDA	625	555	442	12.7%	41.4%
EBITDA Margins (%)	38.9%	35.1%	33.5%	385 bps	543 bps
Depreciation	47	39	40	19.0%	17.7%
EBIT	579	516	403	12.2%	43.7%
Other Income	22	22	29	1.8%	-23.8%
Interest Expense	3	6	6	-44.3%	-39.7%
PBT	598	532	426	12.4%	40.2%
Tax	151	162	141	-6.8%	7.1%
Share of Associates	0	0	0	NA	NA
Minority Interest	0	0	0	NA	NA
PAT	446	369	285	20.9%	56.6%
PAT Margin (%)	27.8%	23.3%	21.6%	445 bps	620 bps
EPS	5.5	4.6	3.5	20.7%	56.5%
Adj. PAT	446	369	285	20.9%	56.6%
Adj. PAT Margin (%)	27.8%	23.3%	21.6%	445 bps	620 bps
Adj. EPS	5.5	4.6	3.5	20.9%	56.6%

Source: Company, KRChoksey Research

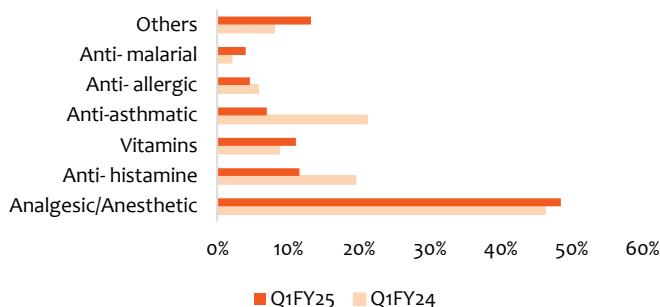
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Revenue mix in charts

Europe contribution increased which leads to increase in regulated market share



Analgesic and Vitamin had a major growth



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	6,866	8,302
COGS	1,958	1,808	2,217	2,432	3,006
Gross profit	3,342	2,801	3,486	4,434	5,297
Employee cost	491	556	676	937	1,162
Other expenses	712	956	1,080	1,346	1,660
EBITDA	2,140	1,289	1,730	2,151	2,474
Depreciation & amortization	101	118	158	186	152
EBIT	2,039	1,171	1,572	1,965	2,322
Interest expense	42	31	21	13	0
Other income	76	95	106	89	89
PBT	2,072	1,235	1,657	2,040	2,411
Tax	554	336	466	510	588
Exceptional item	0	0	0	0	0
PAT	1,518	899	1,191	1,530	1,823
EPS (INR)	18.9	11.2	14.8	19.0	22.6

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Mn	FY22	FY23	FY24	FY25E	FY26E
Operating Cash Flow	488	662	1,133	2,668	1,593
Investing Cash Flow	-598	-1,331	-1,736	-1,300	-300
Financing Cash Flow	1,497	-34	-224	-62	-48
Net Inc/Dec in cash equivalents	1,386	-703	-826	1,307	1,244
Opening Balance	893	2,279	1,576	750	2,057
Closing Balance Cash & Cash Equiv.	2,279	1,576	750	2,057	3,301

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margins (%)	40.4%	28.0%	30.3%	31.3%	29.8%
Net Profit Margin (%)	28.6%	19.5%	20.9%	22.3%	22.0%
RoE (%)	24.7%	12.8%	14.6%	15.9%	16.0%
RoCE (%)	32.0%	16.4%	19.3%	20.4%	20.3%
RoA (%)	20.7%	11.0%	12.9%	13.7%	13.8%

Source: Company, KRChoksey Research

Supriya Lifescience Ltd

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	3,806	3,954
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					
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	6,004	6,152
Current assets					
Inventories	923	1,158	852	1,204	1,456
Trade receivables	1,152	847	1,117	1,354	1,638
Cash and cash equivalents	2,279	1,576	750	2,057	3,301
Other financial assets	60	64	45	45	45
Loans and advances	6	5	7	7	7
Other current assets	555	999	1,207	481	581
Total current assets	4,975	4,649	3,978	5,148	7,027
TOTAL ASSETS	7,348	8,203	9,212	11,152	13,180
EQUITY AND LIABILITIES					
Equity					
Equity share capital	161	161	161	161	161
Other equity	5,996	6,834	7,993	9,475	11,249
Total equity	6,157	6,995	8,154	9,636	11,410
Liabilities					
Non-current liabilities					
Financial liabilities					
Borrowings					
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	922	1,115
Other financial liabilities	8	8	16	16	16
Provisions	4	8	4	4	4
Other current liabilities	274	129	149	264	320
Current tax liabilities (Net)	8	4	5	5	5
Total current liabilities	997	958	769	1,210	1,458
Total liabilities	1,191	1,208	1,059	1,516	1,769
TOTAL EQUITY AND LIABILITIES	7,348	8,203	9,212	11,152	13,180

Source: Company, KRChoksey Research

Supriya Lifescience Ltd

Supriya Lifescience Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
14-Aug-24	501	578	BUY
05-Jun-24	337	401	BUY
14-Feb-24	343	401	BUY
23-Nov-23	253	272	ACCUMULATE
28-Aug-23	269	292	ACCUMULATE

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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