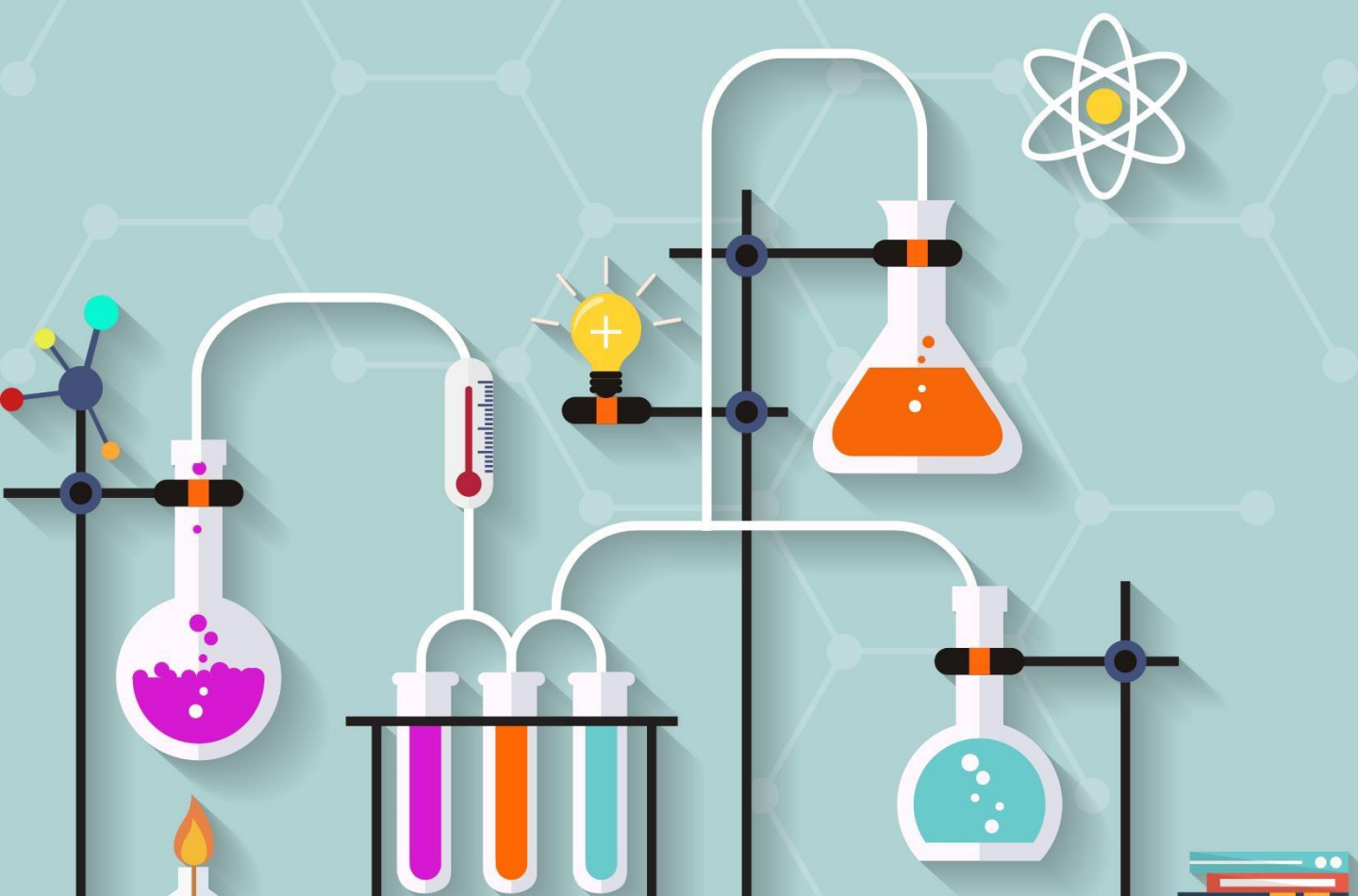




Q2FY25 Supriya Lifescience Ltd



Supriya Lifescience Ltd.

Strong operational performance continue with multiple growth levers

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 554	INR 644	16.2%	INR 44,587	BUY	Pharmaceuticals

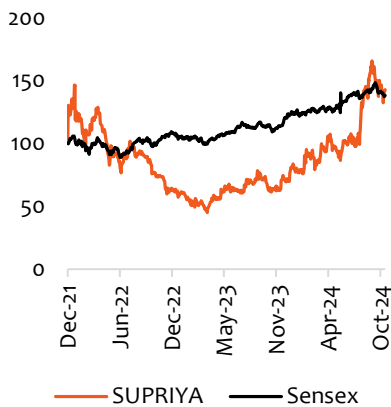
Result Highlights of Q2FY25:

- Supriya Lifescience revenue slightly missed (-1.2%) our estimate. However, EBITDA and PAT beat our estimates significantly due to lower-than-expected operating expenses, better product mix and better geographical mix.
- We increase the PE multiple to 29.0x (previously: 25.5x) as we believe growth will be driven by expansion into regulated markets, a focus on high-margin niche markets, increase in the production capacity and diversification into CDMO (contract development and manufacturing organization) business.
- We maintain FY26E EPS estimates of INR 22.2, showing our confidence in the backward integration strategy which provides better cost control, and is consistent in strong operational performance. Therefore, we arrive at a target price of INR 644/share (previously: INR 578/share) and maintain “BUY” rating.

MARKET DATA

Shares outs (Mn)	80
Mkt Cap (INR Mn)	44,587
52 Wk H/L (INR)	675/239
Volume Avg (3m K)	586
Face Value (INR)	2
Bloomberg Code	SUPRIYA IN

SHARE PRICE PERFORMANCE



*Since listed

MARKET INFO

SENSEX	80,005
NIFTY	24,339

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,609	5,704	6,838	8,410	10,345
EBITDA	956	1,080	2,257	2,523	3,103
PAT	899	1,191	1,596	1,788	2,214
EPS (INR)	11.2	14.8	19.8	22.2	27.5
EBITDA Margin	28.0%	30.3%	33.0%	30.0%	30.0%
NPM	19.5%	20.9%	23.3%	21.3%	21.4%

Source: Company, KRChoksey Research

Strategic market expansion and diverse therapy mix propel top-line growth

- For Q2FY25, the revenue increased by 18.6% YoY (+3.4% QoQ) to INR 1,661 Mn, driven by growth across therapy mix, expansion in product portfolio, and growth in Latin America.
- Analgesic (54.9% of revenue) grew by 16.2% YoY (+17.1% QoQ). The YoY growth was attributed to strategic expansion into regulated markets and enhanced compliance with international quality standards also attracted new customers in North America and Europe, where demand for high-quality analgesics is robust.
- Vitamin (11.6% of revenue) grew by 25.0% YoY (+8.1% QoQ), Anti-histamine (9.3% of revenue) grew by 451.3% YoY (-17.1% QoQ), Anti-Asthma (9.2% of revenue) grew by 9.1% YoY (+35.9% QoQ).
- Revenue contribution from Latin America increased significantly to 19.0% in Q2FY25 (13.0% in Q2FY24), due to company's focus on registration and expansion in this region, particularly in Brazil.

Enhanced EBITDA margin guidance for FY25E reflects strong profitability from favourable geographical mix

- EBITDA increased 103.8% YoY (3.5% QoQ) to INR 647 Mn. EBITDA margin expanded 1,630 bps YoY (3 bps QoQ) to 39.0%. Adj. Net profit increased 93.2% YoY (3.4% QoQ) to INR 461 Mn.
- Backward integration helped in improving margins by reducing costs, as the company produces its own advanced intermediates from the basic stage instead of outsourcing.
- Additionally, better penetration into regulated markets, where average selling prices for products are higher supported margin growth.
- The company increased EBITDA margin guidance to 32.0% to 34.0% for FY25E which was mentioned as 30.0% plus in previous quarter.

SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	68.3	68.3	68.3
FIIIs	6.0	5.0	5.4
DIIIs	5.5	5.5	5.3
Others	20.2	21.3	21.0
Total	100	100	100

*Based on the previous closing

Note: All the market data is as of previous closing

21.4%

Revenue CAGR between FY24 and FY26E

22.5%

Adj. PAT CAGR between FY24 and FY26E

Supriya Lifescience Ltd.

Key Concall Highlights:

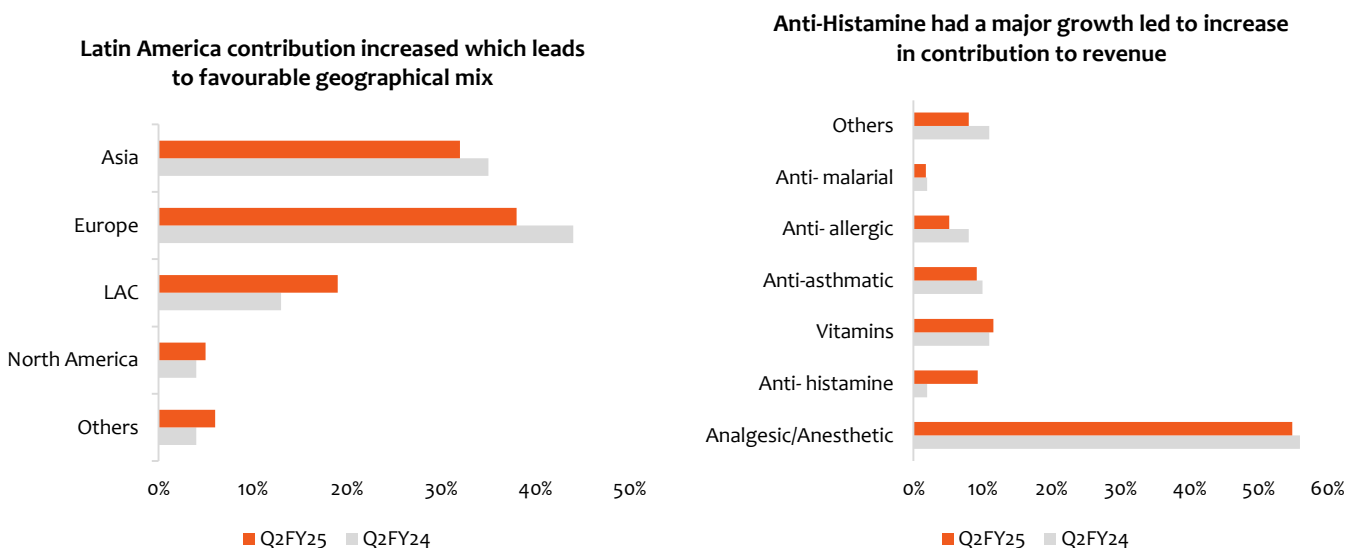
- Supriya Lifescience focused on diversifying its product portfolio, with **new launches in anesthetics, anti-diabetics, anti-anxiety medications**.
- In **Vitamin** segment, the **DSM partnership** allowed a **multi-phase launch**, starting with the **animal feed sector** and expanding to food applications, supported by recent regulatory approvals.
- In **Anti-Histamine** segment, growth in both **semi-regulated and regulated markets**, aided by backward integration, enhanced cost control and market reach.
- The company has expanded capacity with the addition of the **Ambernath facility** for contract manufacturing and Module E, which is expected to be **fully operational by Q3FY25E**.
- This will nearly **double the company's production capacity to 1,020 KL**, positioning it for future demand increases. Commercial production at the new module will take at least two years to reach complete utilization.
- Supriya Lifescience's strategy includes **backward integration for 15 products**, which now constitute **74.0%** of its revenue, enhancing **cost control and margin stability**.
- The company anticipates **revenue growth** of over **20.0% for FY25E** and aims to double its revenue to **INR 10,000 Mn by FY27E**, largely driven by regulated market products, new launches, and CDMO (Contract Development and Manufacturing Organization) opportunities.
- The management is expecting **registration** of some products in markets like **Japan, Europe**, and hope to have CEPs (Certification of Suitability) and USDMFs (Drug Master File) for **all products by Q2FY26E**.
- The company has done extensive registration in **Brazil** for at least **nine of its products**.

Valuation and view:

Supriya Lifescience's strong double-digit growth in top-line continues in Q2FY25. This was attributed to strategic expansion across therapeutic areas with notable performance in Analgesics and Vitamin segments, and a significant increase in market share in Latin America. The company's EBITDA margin expanded significantly due to backward integration, and increased penetration into regulated markets, where products command higher prices.

Currently, the stock is trading at PE multiples of 28.0x/25.0x, based on FY25E/FY26E EPS, respectively. We increase the PE multiple to 29.0x (previously: 25.5x) as we believe growth will be driven by expansion into regulated markets, a focus on high-margin niche markets, an increase in the production capacity and diversification into CDMO (contract development and manufacturing organization) business. We maintain FY26E EPS estimates of INR 22.2 showing our confidence in the backward integration strategy which provides better cost control, and is consistent in strong operational performance. We expect the revenue to grow at 21.4% CAGR and PAT to grow at 22.5% CAGR over FY24-FY26E. Therefore, we arrive at a target price of INR 644/share (previously: INR 578/share). We maintain our "BUY" rating on the stock which has upside potential of 16.2% from the CMP.

Revenue mix in charts



Source: Company, KRChoksey Research

Supriya Lifescience Ltd.

Result snapshot

Particulars (INR Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenue from Operations	1,661	1,606	1,401	3.4%	18.6%
Total Expenditure	1,014	981	1,083	3.4%	-6.4%
Cost of Raw Materials	616	557	507	10.5%	21.5%
Purchase of Stock	0	0	0	NA	NA
Changes in Inventories	-156	-71	109	118.9%	NA
Employee Cost	197	201	175	-2.0%	12.5%
Other Expenses	357	294	292	21.5%	22.3%
EBITDA	647	625	318	3.5%	103.8%
EBITDA Margins (%)	39.0%	38.9%	22.7%	3 bps	1630 bps
Depreciation	47	47	40	1.9%	19.2%
EBIT	600	579	278	3.6%	116.0%
Other Income	25	22	25	13.2%	2.1%
Interest Expense	4	3	5	27.5%	-7.2%
PBT before Exceptional	621	598	298	3.8%	108.4%
Exceptional Items	0	0	0	NA	NA
PBT	621	598	298	3.8%	108.4%
Tax	159	151	59	5.2%	170.0%
Share of Associates	0	0	0	NA	NA
Minority Interest	0	0	0	NA	NA
PAT	461	446	239	3.4%	93.2%
PAT Margin (%)	27.8%	27.8%	17.0%	-1 bps	1074 bps
EPS	5.7	5.5	3.0	3.1%	92.4%
Adj. PAT	461	446	239	3.4%	93.2%
Adj. PAT Margin (%)	27.8%	27.8%	17.0%	-1 bps	1074 bps
Adj. EPS	5.7	5.5	3.0	3.4%	93.2%

Source: Company, KRChoksey Research

Supriya Lifescience Ltd.

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	4,609	5,704	6,838	8,410	10,345
COGS	1,808	2,217	2,241	2,860	3,517
Gross profit	2,801	3,486	4,597	5,551	6,828
Employee cost	556	676	850	1,093	1,345
Other expenses	956	1,080	1,490	1,934	2,379
EBITDA	1,289	1,730	2,257	2,523	3,103
Depreciation	118	158	189	227	264
EBIT	1,171	1,572	2,068	2,296	2,840
Interest expense	31	21	16	17	17
Other income	95	106	92	126	155
PBT	1,235	1,657	2,144	2,405	2,978
Tax	336	466	548	617	764
PAT	899	1,191	1,596	1,788	2,214
EPS (INR)	11.2	14.8	19.8	22.2	27.5

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	662	1,133	1,336	1,368	1,678
CFFI	(1,331)	(1,736)	(1,000)	(1,000)	(1,000)
CFFF	(34)	(224)	(64)	(65)	(65)
Net Inc/Dec in cash	(703)	(826)	272	303	612
Opening Cash	2,279	1,576	750	1,022	1,325
Closing Cash	1,576	750	1,022	1,325	1,937

Exhibit 4: Key Ratios

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margins (%)	28.0%	30.3%	33.0%	30.0%	30.0%
Net Profit Margin (%)	19.5%	20.9%	23.3%	21.3%	21.4%
RoE (%)	12.8%	14.6%	16.5%	15.6%	16.3%
RoCE (%)	16.4%	19.3%	21.3%	20.1%	20.9%
RoA (%)	11.0%	12.9%	14.4%	13.6%	14.2%
P/E(x)	49.6	37.5	28.0	25.0	20.1

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	161	161	161	161	161
Other Equity	6,834	7,993	9,540	11,280	13,446
Total Equity	6,995	8,154	9,701	11,441	13,607
Non-Current Liabilities					
Lease liabilities	55	50	50	50	50
Deferred tax liabilities (Net)	137	232	232	232	232
Other Non Current Liabilities	59	8	10	12	15
Total Non-Current Liabilities	250	290	291	294	297
Current Liabilities					
Other financial liabilities	8	16	16	16	16
Trade Paybles	642	596	918	1,129	1,389
Other current liabilities	307	158	187	228	279
Total Current Liabilities	958	769	1,121	1,373	1,683
Total Liabilities	1,208	1,059	1,412	1,667	1,980
Non-Current Assets					
Property Plants and Equipments	2,551	3,037	3,848	4,620	5,356
Capital work in progress	676	1,488	1,488	1,488	1,488
Other Non current assets	326	709	709	709	710
Total Non-Current Assets	3,554	5,234	6,045	6,818	7,554
Current Assets					
Inventories	1,158	852	1,199	1,475	1,814
Trade Receivables	847	1,117	1,349	1,659	2,041
Cash and Bank	1,576	750	1,022	1,325	1,937
Oher current assets	1,069	1,259	1,499	1,832	2,241
Total Current Assets	4,649	3,978	5,069	6,290	8,033
Total Assets	8,203	9,212	11,114	13,108	15,587

Supriya Lifescience Ltd.

Supriya Lifescience Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
29-Oct-24	554	644	BUY	Buy	More than 15%
16-Aug-24	501	578	BUY	Accumulate	5% – 15%
05-Jun-24	337	401	BUY	Hold	0 – 5%
14-Feb-24	343	401	BUY	Reduce	-5% – 0
23-Nov-23	253	272	ACCUMULATE	Sell	Less than – 5%

ANALYST CERTIFICATION:

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