

Supriya Lifescience Ltd

Q3FY25



Supriya Lifescience Ltd.

Increased focus on niche therapies and regulated markets aid growth

| | | | | | |
|----------------|-------------------|---------------------------|-----------------------------------|-----------------------|---------------------------|
| CMP INR 625 | Target INR 740 | Potential Upside 18.4% | Market Cap (INR Mn) INR 50,627 | Recommendation BUY | Sector Pharmaceuticals |
|----------------|-------------------|---------------------------|-----------------------------------|-----------------------|---------------------------|

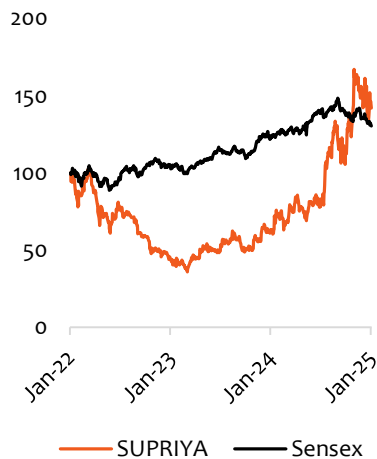
Result Highlights of Q3FY25:

- SUPRIYA revenue beat our estimates significantly due to strong growth in Analgesic segment and regulated markets. EBITDA and Adj. PAT exceeded our estimates significantly due to better-than-expected gross profit, and lower than expected operating expenses.
- We raise our FY26E and FY27E EPS estimates by 1.6% each to INR 22.5 and INR 27.9, respectively. This upward revision reflects the company's focus on launching new products in niche therapy areas, commissioning of additional production blocks at the Lote facility to enhance manufacturing capacity, and the benefits of its backward-integrated model in mitigating supply chain challenges.
- We expect the revenue to grow at 21.8% CAGR and Adj. PAT to grow at 23.6% CAGR over FY24-FY27E. We roll over our valuation multiple to FY27E and assign a PE multiple of 26.5x to arrive at a target price of INR 740 (previously: INR 644) reflecting continued strong growth in regulated markets with better pricing power and maintain "BUY" rating.

MARKET DATA

| | |
|-------------------|------------|
| Shares outs (Mn) | 80 |
| Mkt Cap (INR Mn) | 50,627 |
| 52 Wk H/L (INR) | 835/289 |
| Volume Avg (3m K) | 540 |
| Face Value (INR) | 2 |
| Bloomberg Code | SUPRIYA IN |

SHARE PRICE PERFORMANCE



MARKET INFO

| | |
|--------|--------|
| SENSEX | 75,901 |
| NIFTY | 22,957 |

KEY FINANCIALS

| INR Millions | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------|-------|-------|-------|-------|--------|
| Revenue | 4,609 | 5,704 | 7,042 | 8,521 | 10,310 |
| EBITDA | 956 | 1,080 | 2,450 | 2,556 | 3,145 |
| PAT | 899 | 1,191 | 1,738 | 1,815 | 2,248 |
| EPS (INR) | 11.2 | 14.8 | 21.6 | 22.5 | 27.9 |
| EBITDA Margin | 28.0% | 30.3% | 34.8% | 30.0% | 30.5% |
| NPM | 19.5% | 20.9% | 24.7% | 21.3% | 21.8% |

Source: Company, DevenChoksey Research

Regulated markets and key therapy mix propel top-line

- For Q3FY25, the revenue increased 32.5% YoY (+11.8% QoQ) to INR 1,856 Mn, driven by strong demand in the key therapeutic segments, growth in Europe and LATAM (Latin America).
- Revenue from the Analgesic segment (60.0% of revenue) grew 62.3% YoY (+22.2% QoQ) to INR 1,114 Mn. Revenue from Anti-Histamine segment (12.0% of revenue) grew 6.0% YoY (+44.2% QoQ) to INR 223 Mn. Revenue from Vitamin segment (10.0% of revenue) declined 5.3% YoY (-3.6% QoQ) to INR 186 Mn,
- The company is actively expanding its presence in regulated markets, which command better pricing and higher margins. Europe and LATAM were notable contributors to the revenue growth in Q3FY25.
- The volume demand from Latin American markets is usually on the higher side. The price in LATAM is not as high as in some European markets, but still premium compared to other markets like Southeast Asian and domestic markets.

Backward integration and improved mix fuel margin expansion

- Gross margins expanded 572 bps YoY (-560 bps QoQ) to 66.7%, due to better geographical mix and product mix.
- EBITDA increased 59.0% YoY (+1.9% QoQ) to INR 660 Mn. EBITDA margin expanded 591 bps YoY (-344 bps QoQ) to 35.5%, as the company focused on backward integration to reduce costs and penetration into regulated markets.
- Adj. Net profit increased 57.1% YoY (+1.4% QoQ) to INR 468 Mn. Adj. PAT margin expanded 393 bps YoY (-258 bps QoQ) to 25.2%.
- The company increased guidance on EBITDA margins, expecting 34.0% to 36.0% for FY25E which was mentioned as 32.0% to 34.0% in the previous quarter.

SHARE HOLDING PATTERN (%)

| Particulars | Dec-24 | Sep-24 | Jun-24 |
|-------------|--------|--------|--------|
| Promoters | 68.3 | 68.3 | 68.3 |
| FIIIs | 6.5 | 6.0 | 5.0 |
| DIIIs | 4.9 | 5.5 | 5.5 |
| Others | 20.3 | 20.2 | 21.3 |
| Total | 100 | 100 | 100 |

Note: All the market data is as of today's closing

21.8%

Revenue CAGR between FY24
and FY27E

23.6%

Adj. PAT CAGR between FY24
and FY27E

Supriya Lifescience Ltd.

Key Concall Highlights:

- SUPRIYA plans to launch at least **one new product every quarter beginning Q4FY25** as part of its growth strategy. This initiative aligns with their recent strengthening of R&D capabilities, which now enables them to develop **three to four new products annually**.
- The company aims to **expand its therapeutic portfolio** by adding **new products** across segments like **anti-anxiety, anti-diabetic, and contrast media APIs**. The demand for **contrast media products** is **growing** because surgeries are on the rise. The company is also **launching two to three APIs in contrast media**.
- **Capital expenditure** for **9MFY25** was **INR1,170 Mn**, compared to INR 970 Mn during the 9MFY24. The primary use of Capex is for the **refurbishment of Blocks A, B, and C at the Lote facility and development at the Ambernath plant**.
- The company **commissioned Module E Production Block at Lote Parshuram**, **boosting the capacity by over 55.0%**, increasing it from **597 KLPD to 932 KLPD**. A total of **INR 1,250 Mn** has been **invested in the newly inaugurated Module E manufacturing block**.
- **Commercial production** of new products from **Module E** has started, with **validation campaigns already underway**, and **full-fledged commercial production is expected to begin in Q4FY25E**.
- **API prices are experiencing erosion**, but the **company's strong backward integrated model helps mitigate this effect** for its set of products.
- Supriya Lifescience has recently obtained the **FSSAI license for its whey protein project**, a significant milestone that enables the company to launch a novel product in the market. The product, described as **highly differentiated** and innovative, is expected to **generate revenue starting in FY26E**.
- **Two new products** are set to be **launched in North America in Q4FY25E**, which is expected to **increase the region's contribution to total revenue**.
- The company has a basket of **eight or nine anaesthetic products** and is seeing **good growth in all individual products**.

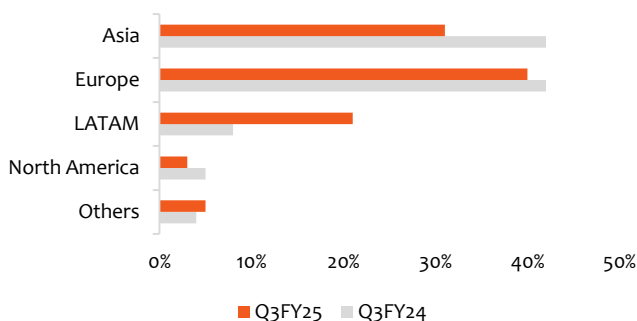
Valuation and view:

SUPRIYA has demonstrated strong growth in Q3FY25, driven by robust demand in key therapeutic segments and expanding presence in regulated markets like Europe and Latin America (LATAM). The company has seen significant growth in its Analgesic and Anti-Histamine segments, though Vitamin segment experienced a slight decline. The strategic focus on entering regulated markets, where the company can secure better pricing and margins, has played a crucial role in this performance. The company's efforts in backward integration to reduce costs, coupled with geographical and product mix improvements, have helped boost margins significantly. Additionally, the company has raised its EBITDA margin guidance for FY25, highlighting confidence in continued profitability.

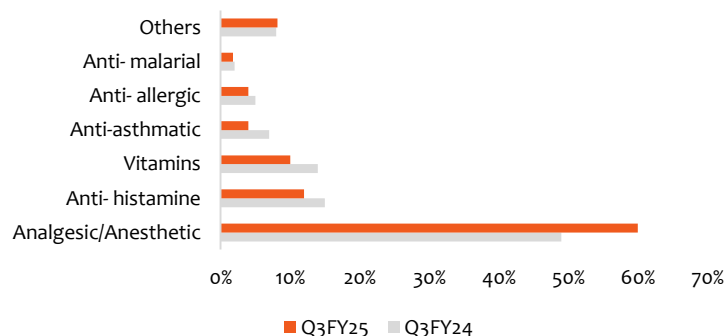
We raise our FY26E and FY27E EPS estimates by 1.6% each to INR 22.5 and INR 27.9, respectively. This upward revision reflects the company's focus on launching new products in niche therapy areas, commissioning of additional production blocks at the Lote facility to enhance manufacturing capacity, and the benefits of its backward-integrated model in mitigating supply chain challenges. We expect the revenue to grow at 21.8% CAGR and Adj. PAT to grow at 23.6% CAGR over FY24-FY27E. Currently, the stock is trading at a P/E multiple of 27.7/22.4 based on FY26E/FY27E EPS, respectively. We roll over our valuation multiple to FY27E and assign a PE multiple of 26.5x to arrive at a target price of INR 740 (previously: INR 644) reflecting continued strong growth in regulated markets with better pricing power. Therefore, we maintain our "BUY" rating on the stock with an upside potential of 18.4%.

Revenue mix in charts

LATAM had a significant growth due to better pricing



Analgesic - key therapy mix had robust growth led by strong demand



Source: Company, DevenChoksey Research

Supriya Lifescience Ltd.

Result snapshot

| Particulars (INR Mn) | Q3FY25 | Q2FY25 | Q3FY24 | QoQ | YoY | 9MFY25 | 9MFY24 | YoY |
|--------------------------------|--------------|--------------|--------------|-----------------|----------------|--------------|--------------|----------------|
| Revenue from Operations | 1,856 | 1,661 | 1,401 | 11.8% | 32.5% | 5,124 | 4,122 | 24.3% |
| Total Expenditure | 1,197 | 1,014 | 986 | 18.1% | 21.4% | 3,192 | 2,947 | 8.3% |
| Cost of Raw Materials | 136 | 616 | 448 | -77.9% | -69.7% | 1,309 | 1,431 | -8.5% |
| Purchase of Stock | 0 | 0 | 0 | NA | NA | 0 | 0 | NA |
| Changes in Inventories | 482 | -156 | 98 | -408.7% | NA | 254 | 204.1 | 24.7% |
| Employee Cost | 198 | 197 | 176 | 0.4% | 12.6% | 595 | 504.9 | 17.9% |
| Other Expenses | 381 | 357 | 264 | 6.8% | 44.5% | 1,033 | 807.4 | 27.9% |
| EBITDA | 660 | 647 | 415 | 1.9% | 59.0% | 1,932 | 1,175 | 64.5% |
| EBITDA Margins (%) | 35.5% | 39.0% | 29.6% | -344 bps | 591 bps | 37.7% | 28.5% | 921 bps |
| Depreciation | 50 | 47 | 40 | 4.6% | 25.4% | 144 | 119 | 20.7% |
| EBIT | 610 | 600 | 375 | 1.7% | 62.5% | 1,788 | 1,056 | 69.4% |
| Other Income | 21 | 25 | 31 | -16.7% | -31.5% | 68 | 85 | -19.1% |
| Interest Expense | 5 | 4 | 5 | 18.7% | 2.6% | 13 | 15 | -16.0% |
| PBT before Exceptional | 626 | 621 | 401 | 0.8% | 56.1% | 1,844 | 1,125 | 63.9% |
| Exceptional Items | 0 | 0 | 0 | NA | NA | 0 | 0 | NA |
| PBT | 626 | 621 | 401 | 0.8% | 56.1% | 1,844 | 1,125 | 63.9% |
| Tax | 158 | 159 | 103 | -0.7% | 53.2% | 468 | 303 | 54.4% |
| Share of Associates | 0 | 0 | 0 | NA | NA | 0 | 0 | NA |
| Minority Interest | 0 | 0 | 0 | NA | NA | 0 | 0 | NA |
| PAT | 468 | 461 | 298 | 1.4% | 57.1% | 1,376 | 822 | 67.4% |
| PAT Margin (%) | 25.2% | 27.8% | 21.3% | -258 bps | 393 bps | 26.9% | 19.9% | 691 bps |
| EPS | 5.8 | 5.7 | 3.7 | 1.9% | 57.3% | 17.1 | 10.2 | 67.2% |
| Adj. PAT | 468 | 461 | 298 | 1.4% | 57.1% | 1,376 | 822 | 67.4% |
| Adj. PAT Margin (%) | 25.2% | 27.8% | 21.3% | -258 bps | 393 bps | 26.9% | 19.9% | 691 bps |
| Adj. EPS | 5.8 | 5.7 | 3.7 | 1.4% | 57.1% | 17.1 | 10.2 | 67.4% |

Source: Company, DevenChoksey Research

Supriya Lifescience Ltd.

Exhibit 1: Profit & Loss Statement

| INR Mn | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------|--------------|--------------|--------------|--------------|---------------|
| Revenues | 4,609 | 5,704 | 7,042 | 8,521 | 10,310 |
| COGS | 1,808 | 2,217 | 2,235 | 2,727 | 3,248 |
| Gross profit | 2,801 | 3,486 | 4,807 | 5,794 | 7,063 |
| Employee cost | 556 | 676 | 845 | 1,108 | 1,340 |
| Other expenses | 956 | 1,080 | 1,512 | 2,130 | 2,578 |
| EBITDA | 1,289 | 1,730 | 2,450 | 2,556 | 3,145 |
| Depreciation | 118 | 158 | 194 | 236 | 272 |
| EBIT | 1,171 | 1,572 | 2,256 | 2,320 | 2,872 |
| Interest expense | 31 | 21 | 18 | 20 | 20 |
| Other income | 95 | 106 | 91 | 128 | 155 |
| PBT | 1,235 | 1,657 | 2,329 | 2,427 | 3,007 |
| Tax | 336 | 466 | 591 | 613 | 759 |
| PAT | 899 | 1,191 | 1,738 | 1,815 | 2,248 |
| EPS (INR) | 11.2 | 14.8 | 21.6 | 22.5 | 27.9 |

Exhibit 3: Cash Flow Statement

| INR Mn | FY23 | FY24 | FY25E | FY26E | FY27E |
|----------------------------|--------------|--------------|------------|--------------|--------------|
| CFFO | 662 | 1,133 | 1,403 | 1,447 | 1,784 |
| CFFI | (1,331) | (1,736) | (1,200) | (1,000) | (1,000) |
| CFFF | (34) | (224) | (66) | (69) | (69) |
| Net Inc/Dec in cash | (703) | (826) | 137 | 378 | 716 |
| Opening Cash | 2,279 | 1,576 | 750 | 887 | 1,265 |
| Closing Cash | 1,576 | 750 | 887 | 1,265 | 1,981 |

Exhibit 4: Key Ratios

| INR Mn | FY23 | FY24 | FY25E | FY26E | FY27E |
|-----------------------|-------|-------|-------|-------|-------|
| EBITDA Margins (%) | 28.0% | 30.3% | 34.8% | 30.0% | 30.5% |
| Net Profit Margin (%) | 19.5% | 20.9% | 24.7% | 21.3% | 21.8% |
| RoE (%) | 12.8% | 14.6% | 17.7% | 15.6% | 16.3% |
| RoCE (%) | 16.4% | 19.3% | 22.9% | 20.0% | 20.8% |
| RoA (%) | 11.0% | 12.9% | 15.4% | 13.6% | 14.2% |
| P/E(x) | 56.0 | 42.2 | 28.9 | 27.7 | 22.4 |

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 | 9,682 | 11,449 | 13,648 |
| Total Equity | 6,995 | 8,154 | 9,843 | 11,610 | 13,809 |
| 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 | 292 | 294 | 297 |
| Current Liabilities | | | | | |
| Other financial liabilities | 8 | 16 | 16 | 16 | 16 |
| Trade Paybles | 642 | 596 | 945 | 1,144 | 1,384 |
| Other current liabilities | 307 | 158 | 193 | 231 | 278 |
| Total Current Liabilities | 958 | 769 | 1,154 | 1,391 | 1,678 |
| Total Liabilities | 1,208 | 1,059 | 1,445 | 1,685 | 1,974 |
| Non-Current Assets | | | | | |
| Property Plants and Equipments | 2,551 | 3,037 | 4,038 | 4,802 | 5,529 |
| 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 | 6,236 | 6,999 | 7,727 |
| Current Assets | | | | | |
| Inventories | 1,158 | 852 | 1,235 | 1,494 | 1,808 |
| Trade Receivables | 847 | 1,117 | 1,389 | 1,681 | 2,034 |
| Cash and Bank | 1,576 | 750 | 887 | 1,265 | 1,981 |
| Other current assets | 1,069 | 1,259 | 1,542 | 1,855 | 2,234 |
| Total Current Assets | 4,649 | 3,978 | 5,053 | 6,295 | 8,057 |
| Total Assets | 8,203 | 9,212 | 11,289 | 13,295 | 15,784 |

Source: Company, DevChoksey Research

Supriya Lifescience Ltd.

| Supriya Lifescience Ltd | | | | Rating Legend (Expected over a 12-month period) | |
|-------------------------|-----------|----------|----------------|---|----------------|
| Date | CMP (INR) | TP (INR) | Recommendation | Our Rating | Upside |
| 28-Jan-25 | 625 | 740 | BUY | Buy | More than 15% |
| 29-Oct-24 | 554 | 644 | BUY | Accumulate | 5% – 15% |
| 16-Aug-24 | 501 | 578 | BUY | Hold | 0 – 5% |
| 05-Jun-24 | 337 | 401 | BUY | Reduce | -5% – 0 |
| 14-Feb-24 | 343 | 401 | BUY | Sell | Less than – 5% |
| 23-Nov-23 | 253 | 272 | ACCUMULATE | | |

ANALYST CERTIFICATION:

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