

CMP: INR 353

Rating: Buy

Target Price: INR 428

Stock Info

BSE	543434
NSE	SUPRIYA
Bloomberg	SUPRIYA IN
Reuters	SUPRIYA.BO
Sector	Pharmaceutical
Face Value (INR)	2
Equity Capital (INR mn)	161
Mkt Cap (INR mn)	22,970
52w H/L (INR)	363 / 170
Avg Yearly Vol (in 000')	1503

Shareholding Pattern %

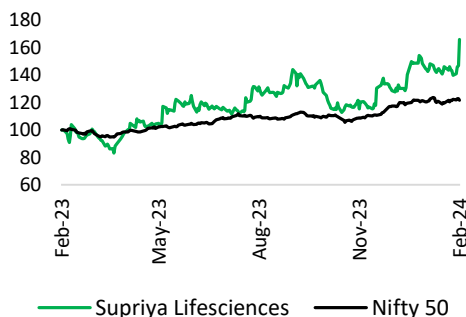
(As on Dec, 2023)

Promoters	68.30
FII	5.39
DII	4.56
Public & Others	21.75

Stock Performance (%)

	1m	3m	12m
Supriya Lifesciences	14.5	28.0	65.0
Nifty 50	0.8	10.6	21.4

Supriya Lifesciences Vs Nifty



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Supriya Lifesciences posted a healthy set of earnings for Q3FY24 beating our estimates on all fronts. The companies revenue increased to INR 1.4 bn increasing by 33.2% YoY/flat QoQ against our estimates of INR 1.38 bn. Net Profits came at INR 298 mn for Q3FY24 up 212.9% YoY / 24.7% QoQ against our estimates of INR 270 mn. EBITDA increased to INR 415 mn up by 195.4% YoY/up 30.7% QoQ. The best part of the earnings was the EBITDA margins increasing to 29.6% for Q3FY24 increasing by 1,626 bps QoQ / up 695 bps QoQ as it was guided earlier by the Management.

Product Profile and Products Pipeline: Supriya Lifesciences currently produces 38 molecules, of which the top 3 molecules: Chlorphenamine maleate, Ketamine Hydrochloride and Salbutamol, form 45-50% of the revenue for the company currently. Going ahead, these 3 molecules are seeing a growth of 8-10% annually due to use in new evolving formulations in the Pharmaceuticals industry.

The company has around 15 products in the Pipeline, of which they have approval for 8 API molecules which will be launched in FY25 and have annual revenue contribution capacity of INR 2 bn. These new molecules will be made in the facility in Lote Parshuram where the company has recently commissioned 350 KL of additional capacity. The Company also informed of launching of 4 new products in the Pipeline during FY25, i.e. 8-12 APIs are in the pipeline having received ANVISA approvals for 8 products. These new molecules will be having better margins allowing the overall margin trend to remain high.

EBITDA margins to remain intact at 28-30% levels: The Company maintained their previous EBITDA margin guidance of 28-30% going ahead with top-line growth of 20% and above. The Company has been focussing on penetrating the more regulated markets where the margins are higher for the company. The revenue contribution from Europe increased from 26% in Q3FY23 to 42% in Q3FY24. The contribution from the Anesthetic segment increased in the mix from 21% in Q3FY23 to 49% in Q3FY24, as the demand for Anesthetic products grows higher in the winter season in the Europe.

Capex of INR 0.6 bn at Ambernath & Commissioning of New capacity of 340 KL in Lote Parshuram where the 8 newly approved API molecules will be made with which the company intends to gain an annual revenue of INR 2 bn from FY25 and beyond. Supriya Lifesciences also announced the capex of INR 0.6 bn at Ambernath for CDMO/CMO products spread over 800 sq. mt. which will operationalize in Q1FY25 in a phase wise manner.

Valuation & Outlook: We believe Supriya Lifesciences has a perfect blend of Product mixes with the top 3 products showing high single digit growth while the rest of the API business and upcoming new API molecules will see substantially high growth in the range of 25-30% topline growth. In FY25, we are expecting the launch of 8-12 new API molecules, bringing incremental revenue of INR 1-1.5 bn for the first year in FY25 and then afterwards, above INR 2 bn in FY26 and beyond. The Lote Parshuram facility has after the recent expansion exhausted of further space. Hence, the next phase of big capacity expansion to happen will take place in Ambernath. With 940 KL of total capacity now, and the Management mixing the Products fairly well in more regulated markets, we believe the company will be able to both maintain their Margin guidance of 28-30% as well as revenue growth of more than 20% over the next 3 years to INR 10 bn annual revenue. Hence, we value the company at 15x its FY26E EPS of INR 28.6 and arrive at a Target Price of INR 428 per share. Accordingly, we have a Buy Rating on the stock.

Particulars (In INR Mn)	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y
Total Revenue	1,401	1,401	1,051	0.0%	33.2%
Raw Material	546	616	513	-11.4%	6.4%
Employee Cost	176	175	146	0.4%	19.9%
Other Expenses	264	292	251	-9.6%	5.2%
EBITDA	415	318	140	30.7%	195.4%
EBITDA Margin %	29.6%	22.7%	13.4%	695bps	1626bps
Depreciation	40	40	30	-0.5%	34.2%
EBIT	375	278	111	35.1%	238.2%
EBIT Margin %	26.8%	19.8%	10.6%	697bps	1624bps
Other Income	31	25	26	24.2%	19.5%
Finance Costs	5	5	10	7.4%	-51.3%
PBT	401	298	126	34.7%	217.1%
Tax Expense	103	59	31	75.0%	229.9%
Effective Tax Rate %	25.7%	19.8%	24.7%	592bps	100bps
PAT	298	239	95	24.7%	212.9%
PAT Margin %	21.3%	17.0%	9.1%	422bps	1221bps
EPS (INR)	3.70	2.97	1.18	24.6%	213.6%

Source: Company Reports, Arianth Research

Concall Highlights

Guidance:

- The Management maintains their earlier given guidance of EBITDA Margins of 28-30% on a sustainable basis, while indicating higher margins also achievable.
- Management confident of achieving INR 10 bn annual revenue in the next 3 years.
- The Company maintains guidance of 20% CAGR growth of revenues for the next 3 years.

Key Highlights:

- Revenue increased to INR 1.4 bn increasing by 33.2% YoY/flat QoQ. EBITDA increased to INR 415 mn increasing by 195.4% YoY/up 30.7% QoQ. EBITDA Margins increased to 29.6% for Q3FY24 increasing by 1,626 bps QoQ/up 695 bps QoQ.
- PAT increased to INR 298 mn for Q3FY24 up 212.9% YoY / 24.7% QoQ. PAT margins came at 21.3% increasing by 1,221 bps YoY / 422 bps QoQ.
- 8 APIs which have received approval will contribute INR 2 bn annual revenue.
- The Ambernath capex of INR 0.6 bn will be operational by Q1FY25, till then the new products APIs will be made in Lote Parshuram.
- Of the INR 10 bn revenue, the Management informs that 80% of it will be coming from the API/CDMO business.
- The company is also considering forward Integration and is in process of setting up a formulation plant with bottling capacity of about 5 million annually. With this capacity, the company aims to have a business of 10-12% of the global market in the next 3 years with EBITDA in the range between 28-30%.
- The Company is also investing INR 0.6 bn over the next 3 years for the CDMO facility at Ambernath facility. The site will be operational in Q1FY25 and will open phase wise.
- The Management informs of four new products in the Pipeline for launch in FY25. These products are from the Antidiabetic, Anti-anxiety and Anesthetic categories.
- The Management says the increase in EBITDA margins is due to the company getting penetration in the more regulated markets where the margins are higher, for e.g, the Europe sales went up from 26% to 42%. Also, the Anaesthetic segment saw tremendous growth in their business mix from 21% to 49% in Q3FY24.
- The company has a basket of 8-12 molecules for which the company has started getting approvals in the more regulated markets and they are scaling up there. With the ANVISA approvals for the 8 registered products, the Company expects annual revenue contribution of INR 2 bn from the 8 products.
- The top 3 molecules that the company produces: Chlorphenamine maleate, Ketamine Hydrochloride and Salbutamol, the management maintains a growth guidance of 8-10% annually.
- The Management says that the contribution from CDMO / CMO and opportunities could be even bigger, for example if they can get 10% of the global market share, the future opportunities could then be much bigger than current guidance.
- The Management says there has been lots of regulatory changes in the Latin American markets over the last 2 years.

Financials

P&L (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenues	5,300	4,609	5,762	7,317	9,147
<i>Change (%)</i>	35%	-13%	25%	27%	25%
Cost of Goods Sold	1,958	1,808	2,189	2,707	3,384
Employee costs	491	556	617	691	774
Other expenses	712	956	1210	1463	1829
Total operating Expense	3,161	3,320	4,016	4,862	5,988
EBITDA	2,140	1,289	1,745	2,456	3,159
EBITDA %	40.4%	28.0%	30.3%	33.6%	34.5%
Other Income	76	95	123	157	196
Depreciation	101	118	142	171	208
Interest	42	31	33	37	43
PBT	2,072	1,235	1,693	2,404	3,104
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	2,072	1,235	1,693	2,404	3,104
Tax	554	336	457	625	807
<i>Rate (%)</i>	27%	27%	27%	26%	26%
PAT	1,518	899	1,236	1,779	2,297
<i>Change (%)</i>	23%	-41%	38%	44%	29%

Balance Sheet (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity share capital	161	161	161	161	161
Reserves & Surplus	5,996	6,834	8,922	7,544	6,664
Net Worth	6,157	6,995	9,083	7,705	6,825
Long term debt	53	55	55	55	55
Short term debt	221	170	170	170	170
Total Debt	274	225	225	225	225
Deferred Tax & other liabilities	111	137	137	137	137
Current liabilities	772	780	927	1,140	1,390
Provisions	33	67	67	67	67
Total Liabilities	7,348	8,203	10,438	9,273	8,643
Net Block	1,883	2,604	3,038	3,599	4,306
Capital Work-in-Progress	434	676	676	676	676
Other Non-Current Assets	55	273	273	273	273
Net fixed assets	2,372	3,554	3,988	4,548	5,255
Investments	60	64	64	64	64
Debtors	1,152	847	1,105	1,403	1,754
Inventories	923	1,158	1,421	1,804	2,255
Cash & bank balance	2,279	1,576	2,856	449	-1,690
Loans & advances & other CA	561	1,005	1,005	1,005	1,005
Total current assets	4,975	4,649	6,450	4,725	3,388
Total Assets	7,348	8,203	10,438	9,273	8,643

Source: Company, Arianth Research

Cash Flow Statement (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Operating Cash Flow	488	662	1,004	1,481	1,954
Cash Flow from Investing	-598	-1,331	-576	-732	-915
Cash Flow from Financing	1,497	-34	853	-3,157	-3,178
Net change in cash	1,386	-703	1,280	-2,407	-2,139
Opening cash	893	2,279	1,576	2,856	449
Closing Cash	2,279	1,576	2,856	449	-1,690

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E
Per share (INR)					
EPS	18.86	11.16	15.36	22.10	28.54
BVPS	76.50	86.91	112.86	95.74	84.80
Valuation (x)					
P/E	12.88	21.76	15.82	10.99	8.51
P/BV	3.18	2.80	2.15	2.54	2.87
EV/EBITDA	7.4	13.1	9.6	6.5	4.7
Return Ratios (%)					
Gross Margin	63.1%	60.8%	62.0%	63.0%	63.0%
EBIDTA Margin	40.4%	28.0%	30.3%	33.6%	34.5%
PAT Margin	28.6%	19.5%	21.5%	24.3%	25.1%
ROE	24.7%	12.8%	13.6%	23.1%	33.7%
ROCE	33.3%	17.5%	18.5%	30.7%	44.5%
Leverage Ratio (%)					
Total D/E	0.0	0.0	0.0	0.0	0.0
Turnover Ratios					
Asset Turnover (x)	2.2	1.3	1.4	1.6	1.7
Inventory Days	57	82	80	80	80
Receivable Days	65	79	70	70	70
Payable days	34	51	45	45	45

Source: Company, Aриhant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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