

**CMP: INR 348**

**Rating: Buy**

**Target Price: INR 496**

**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 %**

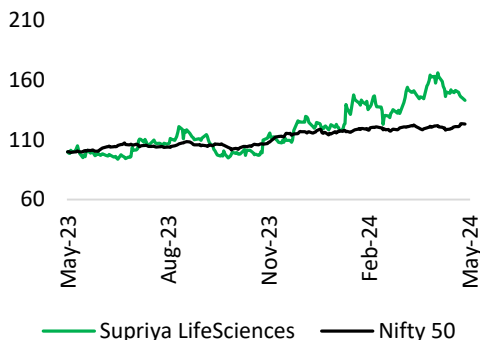
(As on March, 2024)

Promoters	68.30
FII	5.39
DII	4.56
Public & Others	21.75

**Stock Performance (%)**

	1m	3m	12m
Supriya Lifesciences	-11.9	29.1	43.7
Nifty 50	1.1	15.1	23.1

**Supriya Lifesciences Vs Nifty**



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Supriya Lifesciences posted a healthy set of earnings for Q4FY24 beating our estimates on all fronts. The Company's revenue increased to INR 1,582 mn increasing by 12.9% QoQ/up 11.2% YoY against our estimates of INR 1,600 mn. Net Profits came at INR 369 mn for Q4FY24 up 24.0% QoQ/up 7.7% YoY against our estimates of INR 367 mn. EBITDA increased to INR 555 mn up by 33.8% QoQ/up 0.9% YoY. The best part of the earnings was the EBITDA margins increasing to 35.1% for Q4FY24 increasing by 547 bps QoQ / down 361 bps YoY as 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 while the newer molecules increase contribution in the business mix.

The company has around 18 products in the Pipeline for which they have already filed US DMFs. These new molecules will be made in the facility in Lote Parshuram which the company will commission in Q2FY25 of 340 KL of additional capacity taking their total capacity beyond 900 KL per year from Q2FY25. These new molecules will be having better margins allowing the overall margin trend to inch higher.

**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 on a conservative basis. The Company has been focussing on penetrating the more regulated markets where the margins are higher for the company, hence the increase in revenue mix of Europe from 42% to 43% in Q4FY24. The contribution from the Anesthetic segment increased in the mix from 44% in FY23 to 46% in FY24, as the demand for Anesthetic products grows higher in the winter season in the Europe.

**Capex of INR 0.75 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 750 mn at Ambernath for CDMO/CMO products spread over 800 sq. mt. which will operationalize in Q2FY25 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 ~6 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 for 70 KL. 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 revise our estimates upward for the company at 15x its FY27E EPS of INR 33.06 and arrive at a Target Price of INR 496 per share with a BUY rating.

Particulars (In INR Mn)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
<b>Total Revenue</b>	<b>1,582</b>	<b>1,401</b>	<b>1,423</b>	<b>12.9%</b>	<b>11.2%</b>
Raw Material	583	546	476	6.7%	22.4%
Employee Cost	171	176	153	-2.4%	12.1%
Other Expenses	273	264	244	3.3%	11.8%
<b>EBITDA</b>	<b>555</b>	<b>415</b>	<b>550</b>	<b>33.8%</b>	<b>0.9%</b>
<b>EBITDA Margin %</b>	<b>35.1%</b>	<b>29.6%</b>	<b>38.7%</b>	<b>547bps</b>	<b>-361bps</b>
Depreciation	39	40	30	-1.2%	30.5%
<b>EBIT</b>	<b>516</b>	<b>375</b>	<b>520</b>	<b>37.5%</b>	<b>-0.8%</b>
<b>EBIT Margin %</b>	<b>32.6%</b>	<b>26.8%</b>	<b>36.6%</b>	<b>582bps</b>	<b>-399bps</b>
Other Income	22	31	20	-28.7%	9.3%
Finance Costs	6	5	7	21.7%	-14.1%
<b>PBT</b>	<b>532</b>	<b>401</b>	<b>494</b>	<b>32.6%</b>	<b>7.6%</b>
Tax Expense	162	103	151	57.5%	7.6%
Effective Tax Rate %	30.5%	25.7%	30.5%	483bps	5bps
<b>PAT</b>	<b>369</b>	<b>298</b>	<b>343</b>	<b>24.0%</b>	<b>7.7%</b>
<b>PAT Margin %</b>	<b>23.3%</b>	<b>21.3%</b>	<b>24.1%</b>	<b>208bps</b>	<b>-75bps</b>
EPS (INR)	4.59	3.70	4.75	24.1%	-3.4%

Source: Company Reports, Arianth Research

## Concall Highlights

### Guidance:

- Management gave revenue growth guidance of 20% YoY for FY25 for the blended Portfolio of API and CDMO products.
- The Management maintained their previous guidance on EBITDA Margins to be between 28-30% margins on a conservative basis.
- The Management said that the CDMO/CMO business will be making up around 20% of their business mix in the future, and with better margins than their blended margin guidance of 28-30%.

### Key Highlights:

- Ambernath Capex is around INR 750 mn for 70 KL of capacity along with the new R&D facility.
- The capacity expansion of 340 KL at Lote Parshuram is expected to be operational by Q2FY25, where the new molecules/APIs will be manufactured. This will take up the current capacity from 597 KL to ~900 KL by Q2FY25 and the ramp up of the new capacity will take a couple of years for reaching optimum capacity utilization levels.
- The Company will also set up a new manufacturing block with 70 KL capacity along with Pilot plant is being set up at Ambernath.
- The Company's utilization levels stood at 86% for Q4FY24, which is the highest quarterly capacity utilization levels the company has achieved. The Management explained that in the API/ CDMO business, even the most efficient companies can achieve utilization levels between 75-85% depending upon the demand scenario of the company's product.
- The Management expects the CMO/CDMO contracts to commence commercial production from the Q3FY25.

## Concall Highlights

### Key Highlights:

- Q4FY24 Revenue came at INR 1,582 mn marginally below our estimates of INR 1,600 mn (up 12.9% QoQ/ up 11.2% YoY).
- EBITDA came at INR 555 mn beating our estimates of INR 517 mn (up 33.8% QoQ / up 0.9% YoY).
- EBITDA Margins came at 35.1% in Q4FY24 beating our estimates of 32.3% (up 547 bps QoQ / down 361 bps YoY).
- The Company reported Net Profits of INR 369 mn beating our estimates of INR 367 mn (up 24.0% QoQ/up 7.7% YoY).
- The Europe business which has been the Company's focus region drove the Company's Profitability making up 43% of the business mix against previous quarters 42%.
- The Company cleared the Audit by ENVISA, Brazil with zero observations, and this will provide the company with 17-18 products to offer to their customers. The Company is looking at an annual potential revenue of INR 1,500-2,000 from the Brazil markets.
- The Company is undergoing filing for CET for several new products, Formulations & APIs in the Pipeline.
- The Management explained that for a regulated market, it takes almost 2 years of time for the Company from synthesis to registration, getting approval and productions to launch a product. In the semi-regulated markets it takes slightly less time for the company to do the same.
- The Company has a big basket of anesthetic products, and they intend to maintain their focus on getting backward integration of the new product's that they are launching.
- The Management explained that earlier their quarterly revenues & business was lumpy due to the major products business being Seasonal, like Anesthetic and Anti-histamine products. However, with the introduction of several other products over the years, their business and revenues have become more stable throughout the year.
- The Company is trying to reduce their customer and geographic concentration gradually. To reduce their Therapeutic concentration, the Company has introduced products in the Anti-asthmatic segment.

## Financials

P&L (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>4,609</b>	<b>5,704</b>	<b>7,130</b>	<b>8,912</b>	<b>11,140</b>
Change (%)	-13%	24%	25%	25%	25%
Cost of Goods Sold	1,808	2,217	2,638	3,297	4,122
Employee costs	556	676	825	949	1091
Other expenses	956	1080	1426	1782	2228
<b>Total operating Expense</b>	<b>3,320</b>	<b>3,974</b>	<b>4,889</b>	<b>6,029</b>	<b>7,441</b>
<b>EBITDA</b>	<b>1,289</b>	<b>1,730</b>	<b>2,241</b>	<b>2,883</b>	<b>3,699</b>
<b>EBITDA %</b>	<b>28.0%</b>	<b>30.3%</b>	<b>31.4%</b>	<b>32.4%</b>	<b>33.2%</b>
Other Income	95	106	157	196	196
Depreciation	118	158	170	206	251
Interest	31	21	37	42	49
<b>PBT</b>	<b>1,235</b>	<b>1,657</b>	<b>2,190</b>	<b>2,831</b>	<b>3,596</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>1,235</b>	<b>1,657</b>	<b>2,190</b>	<b>2,831</b>	<b>3,596</b>
Tax	336	466	569	736	935
Rate (%)	27%	28%	26%	26%	26%
<b>PAT</b>	<b>899</b>	<b>1,191</b>	<b>1,621</b>	<b>2,095</b>	<b>2,661</b>
Change (%)	-41%	33%	36%	29%	27%

Source: Company Reports, Aриhant Research

Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity share capital	161	161	161	161	161
Reserves & Surplus	6,834	7,993	9,617	11,682	14,275
<b>Net Worth</b>	<b>6,995</b>	<b>8,154</b>	<b>9,778</b>	<b>11,843</b>	<b>14,435</b>
Long term debt	55	50	55	55	55
Short term debt	170	5	4	4	4
<b>Total Debt</b>	<b>225</b>	<b>55</b>	<b>58</b>	<b>58</b>	<b>58</b>
Deferred Tax liabilities	137	232	137	137	137
Current liabilities	780	761	1,114	1,358	1,663
Provisions	67	12	67	67	67
<b>Total Liabilities</b>	<b>8,203</b>	<b>9,212</b>	<b>11,572</b>	<b>12,812</b>	<b>17,292</b>
Net Block	2,604	3,085	3,559	4,249	5,118
Capital Work-in-Progress	676	1,488	1,637	1,801	1,981
Other Non-Current Assets	273	661	727	800	880
<b>Net fixed assets</b>	<b>3,554</b>	<b>5,234</b>	<b>5,923</b>	<b>6,850</b>	<b>7,979</b>
Investments	64	45	50	55	60
Debtors	847	1,117	1,270	1,587	1,984
Inventories	1,158	852	879	1,099	1,373
Cash & bank balance	1,576	750	1,948	1,345	3,550
Loans & advances & other CA	1,005	1,214	1,503	1,877	2,345
<b>Total current assets</b>	<b>4,649</b>	<b>3,978</b>	<b>5,649</b>	<b>5,962</b>	<b>9,313</b>
<b>Total Assets</b>	<b>8,203</b>	<b>9,212</b>	<b>11,572</b>	<b>12,812</b>	<b>17,292</b>

Source: Company Reports, Aриhant Research

Cash Flow Statement (INR Mn)	FY23	FY24E	FY25E	FY26E	FY27E
Net Operating Cash Flow	636	1,133	537	1,495	1,904
Cash Flow from Investing	-1,237	-1,736	-713	-891	-1,114
Cash Flow from Financing	-103	-224	255	-192	-229
Net change in cash	-703	-826	79	412	561
Opening cash	2,279	1,576	750	829	1,241
Closing Cash	1,576	750	829	1,241	1,802

Source: Company Reports, Arianth Research

Key Ratios	FY23	FY24E	FY25E	FY26E	FY27E
<b>Per share (INR)</b>					
EPS	11.16	14.80	20.14	26.03	33.06
BVPS	86.91	101.31	121.50	147.15	179.36
<b>Valuation (x)</b>					
P/E	31.17	23.51	17.28	13.37	10.53
P/BV	4.00	3.44	2.86	2.36	1.94
EV/EBITDA	13.1	9.6	6.5	4.7	4.7
<b>Return Ratios (%)</b>					
Gross Margin	60.8%	61.1%	63.0%	63.0%	63.0%
EBIDTA Margin	28.0%	30.3%	31.4%	32.4%	33.2%
PAT Margin	19.5%	20.9%	22.7%	23.5%	23.9%
ROE	12.8%	14.6%	16.6%	17.7%	18.4%
ROCE	17.5%	19.9%	21.3%	25.1%	23.3%
<b>Leverage Ratio (%)</b>					
Total D/E	0.0	0.0	0.0	0.0	0.0
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.3	1.1	1.2	1.3	1.4
Inventory Days	82	80	80	80	80
Receivable Days	79	70	70	70	70
Payable days	51	45	45	45	45

Key Financials (INR Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	5,300	4,609	5,704	7,130	8,912	11,140
EBITDA	2,140	1,289	1,730	2,241	2,883	3,699
EBITDA Margins	40%	28%	30%	31%	32%	33%
PAT	1,518	899	1,191	1,621	2,095	2,661
RoE	24.7%	12.8%	14.6%	16.6%	17.7%	18.4%
Asset Turnover (x)	2.2	1.3	1.1	1.2	1.3	1.4

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### Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

### Absolute Return

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