

CMP: INR 278
Target Price: INR 338
Rating: BUY

Stock Info

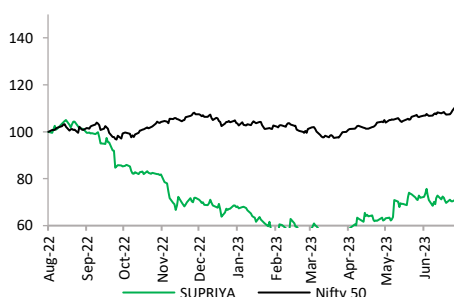
BSE	543434
NSE	SUPRIYA
Bloomberg	SUPRIYA:IN
Reuters	SUPRIYA.BO
Sector	Pharmaceutical
Face Value (INR)	2
Equity Capital (INR Mn)	322
Mkt Cap (INR Mn)	22,410
52w H/L (INR)	378 / 170
Avg. Yearly Volume (in 000')	267

Shareholding Pattern %

(As on March, 2023)

Promoters	68.3
DII's	7.54
FII's	5.73
Others	18.43

Supriya Lifescience Vs Nifty



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Growth through capacity augmentation

The main plant facility of the company is located at Lote Parshuram, Maharashtra. The production capability is segregated in accordance with different therapies. Presently, the plants are running at full capacity. It is working on a new manufacturing block (E-Block) in the existing premises with a capacity of 340 KL to replace old block with 145 KL capacity. The company has also acquired plot at Ambernath and is setting up manufacturing block with a capacity of 70 KL along with new R&D facility with Pilot plant. Resultantly, the total capacity will increase from 597 KL to 900 KL by the fourth quarter of FY24.

Penetration into newer geographies

More than two-third of overall revenues is contributed by export markets. The company has presence in more than 86 countries and is doing business with more than 1,200 customers. It is further targeting regulated markets, which offer higher margins and value-addition. The regulatory team is registering products and filing DMFs (Drug Master File) in the regulated markets. The sales team is also in discussion with new customers to qualify Supriya as source and started sending samples and supplying APIs (Active Pharmaceutical Ingredients) for their validation of products. The major markets being targeted include North America, Japan, Australia and New Zealand.

Traction in Chinese Market

The company is witnessing volume recovery in the Chinese markets, while pricing pressure still prevails. Additionally, the demand for intermediates and APIs in China is increasing, along with an interest in registering formulations. Due to political tensions, China is facing challenges in penetrating the US and Europe markets. Consequently, these countries are now turning to India as a substitute to fulfill their requirements, a shift that has already commenced. The company is actively engaged in discussions with other parties to capitalize on this opportunity.

Opportunities in CMO/CDMO

Leveraging its experience in chemical manufacturing and handling hazardous complex process chemistry, the company is seeking opportunities in the CMO/CDMO space. The company has entered into a strategic 10-year CDMO agreement with a prominent European company for the exclusive supply of API. The company has secured exclusive manufacturing and marketing rights for Ilo Protein, a patented product developed by Plasma Nutrition, a prominent US-based enterprise. In addition, the new capacity being set-up in Ambernath will assist in pursuing more and more CMO/CDMO opportunities.

Leadership position in key therapeutic molecules

It is a major Indian manufacturer and supplier of active pharmaceutical ingredients (APIs) and is the largest exporter of Chlorpheniramine Maleate and Ketamine Hydrochloride from India. The latter has a strong demand in regulated markets of Europe and America and is a key molecule in the anesthetic segment. Additionally, it is amongst the largest exporter of Salbutamol Sulphate, which has applications in respiratory therapy. The company has leveraged its strong presence in these molecules to build a robust client base and will continue to harness upcoming opportunities with other clients.

Valuation & Outlook

Supriya Lifesciences Ltd. is a market leader in anti-histamine and anti analgesic segment with robust product portfolio. It has a diversified market for exporting these products. Additionally, it is ramping up its capacity to increase supply and meet demand for these Active Pharmaceutical Ingredients (APIs). The company also has promising CMO/CDMO opportunities which will be contributing to the growth going forward. Factoring in the above growth drivers, we have a positive view on the company. We value the company at 12x its FY26E EPS of INR 28.5 and arrive at a Target Price of INR 338 per share. Accordingly, we have a Buy Rating on the stock.

Particulars (In INR Mn)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
Total Revenue	1320	1423	1014	-7.2%	30.3%
Raw Material	472	476	350	-0.7%	34.9%
Employee Cost	154	153	127	0.8%	21.8%
Other Expenses	249	244	224	2.1%	10.9%
EBITDA	445	550	312	-19.2%	42.4%
EBITDA Margin %	33.7%	38.7%	30.8%	-499bps	287bps
Depreciation	40	30	29	31.5%	37.1%
EBIT	405	520	284	-22.1%	42.9%
EBIT Margin %	30.7%	36.6%	28.0%	-587bps	272bps
Other Income	29	20	24	48.6%	23.8%
Finance Costs	8	7	6	14.3%	40.4%
PBT	368	494	254	-25.4%	44.8%
Tax Expense	141	151	49	-6.2%	189.1%
Effective Tax Rate %	38.4%	30.5%	19.2%	787bps	1916bps
PAT	227	343	205	-33.9%	10.4%
PAT Margin %	17.2%	24.1%	20.3%	-693bps	-308bps
EPS (INR)	3.54	4.75	3.14	-25.5%	12.7%

Source: Company Reports, Arihant Research

Q1FY24 Earnings Call KTAs

New CDMO Opportunities

- The company received the sole rights as a manufacturing and marketing partner of Io Protein in India which is a patented product of Plasma Nutrition (a US-based company).
- The product will be manufactured at the company's USFDA-approved facility.
- Given the increase in whey protein demand in India, this can be a large opportunity that can potentially change the protein landscape in India.
- Also, the company has signed a 10-year CDMO contract for the exclusive supply of API with a European company. The deal is expected to generate revenue of INR 400 Mn per year from FY27.

Chinese Market

- The company is witnessing traction in volume recovery in the Chinese markets but the pricing pressure still prevails.
- The company has signed 2-year contracts with distributors in China and is sold out in terms of API orders for CY24.
- The demand for intermediates and APIs in Chinese markets is starting to pick up along with the demand for registering formulations in China.
- The company can supply only 45MT to the Chinese markets due to anti-dumping laws.
- The US and Europe markets are shifting their imports from China, creating opportunities for Indian companies
- The company has 6 molecules in the pipeline which are to be registered in China.

CAPEX

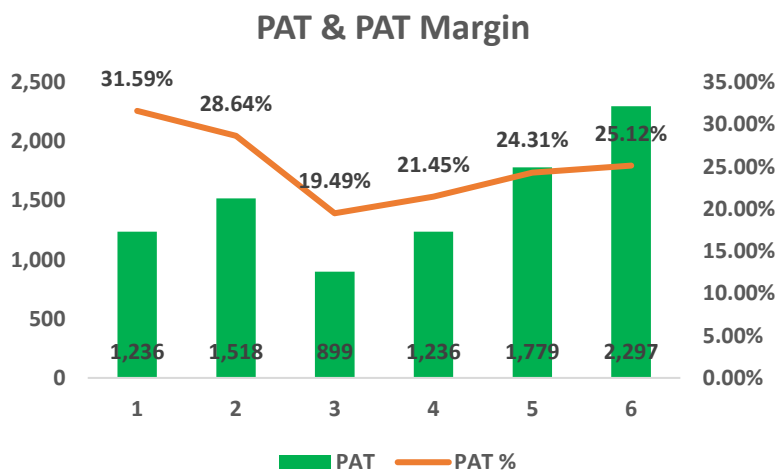
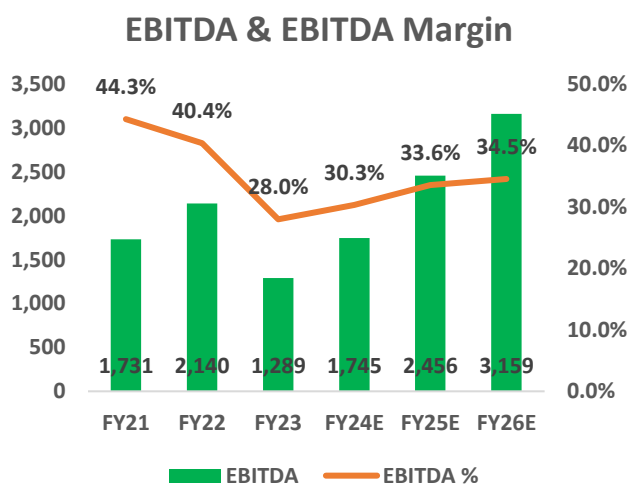
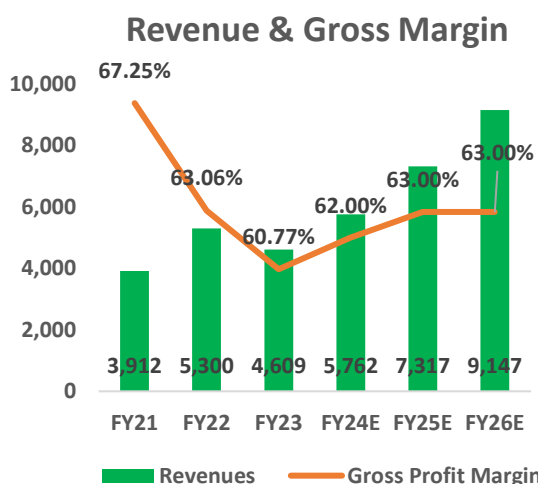
- The company anticipates CAPEX INR 700-900 Mn out of which some will be carried out this year and the remainder in the next FY.
- Another production block is being set up at the Lote plant, adding 400 KL capacity to the existing 550 KL, expected to be completed by the end of FY24.
- The company is adding a new manufacturing block with a capacity of 70-100 KL in Ambernath.
- Also, a new multi-product facility with an R&D facility is being set up at Ambernath.
- Total capacity is expected to reach 900 KL (vs 597 KL currently) by Q4FY24.

Other Highlights

- Capacity utilization at the Lote plant is at 70%, which is the most optimum utilization achievable.
- The company recorded good momentum in anti-histamines, analgesics, vitamins, anesthetics, and anti-asthmatic.
- The company recorded good traction in regulated markets such as North America which grew to 9% (vs 5% in Q4FY23).
- The company has commissioned a new R&D lab at Lote Parshuram for new product development and CMO/CDMO opportunities.
- Current inventory stands at INR 1.15 Bn.

Guidance

- The company expects an uptake in volumes from FY25 due to the CDMO deals which will significantly contribute to the revenue.
- Going forward the company will be focusing on Europe, North America, and Latin America to drive growth.
- The management is confident about achieving a minimum of 20-25% growth in the topline with an EBITDA Margin of 28-30% margin for FY24.
- The company anticipates a slight dip in Q3FY24 from the regulated markets but overall, H2FY24 is expected to be better than H1FY24,



Financials

P&L (INR Mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenues	3,912	5,300	4,609	5,762	7,317	9,147
<i>Change (%)</i>		35%	-13%	25%	27%	25%
Cost of Goods Sold	1,281	1,958	1,808	2,189	2,707	3,384
Employee costs	328	491	556	617	691	774
Other expenses	572	712	956	1210	1463	1829
Total operating Expense	2,181	3,161	3,320	4,016	4,862	5,988
EBITDA	1,731	2,140	1,289	1,745	2,456	3,159
EBITDA %	44.3%	40.4%	28.0%	30.3%	33.6%	34.5%
Other Income	50	76	95	123	157	196
Depreciation	68	101	118	142	171	208
Interest	41	42	31	33	37	43
PBT	1,673	2,072	1,235	1,693	2,404	3,104
Extra-ordinary	0	0	0	0	0	0
PBT after ext-ord.	1,673	2,072	1,235	1,693	2,404	3,104
Tax	437	554	336	457	625	807
<i>Rate (%)</i>	26%	27%	27%	27%	26%	26%
PAT	1,236	1,518	899	1,236	1,779	2,297
PAT %	31.59%	28.64%	19.49%	21.45%	24.31%	25.12%
<i>Change (%)</i>		23%	-41%	38%	44%	29%

Source: Company Reports, Aриhant Research

Balance Sheet (INR Mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity share capital	146	161	161	161	161	161
Reserves & Surplus	2539	5996	6834	8021	9752	12001
Net Worth	2686	6157	6995	8182	9913	12162
Long term debt	21	53	55	55	55	55
Short term debt	701	221	170	170	170	170
Total Debt	722	274	225	225	225	225
Deferred Tax & other liabilities	275	111	137	137	137	137
Current liabilities	750	772	780	848	979	1190
Provisions	22	33	67	67	67	67
Total Liabilities	4455	7348	8203	9459	11321	13780
Net Block	984	1883	2604	3038	3599	4306
Capital Work-in-Progress	788	434	676	676	676	676
Other Non-Current Assets	28	55	273	273	273	273
Net fixed assets	1800	2372	3554	3988	4548	5255
Investments	30	60	64	64	64	64
Debtors	735	1152	847	1168	1403	1629
Inventories	725	923	1158	1263	1504	1754
Cash & bank balance	893	2279	1576	1971	2797	4073
Loans & advances & other CA	272	561	1005	1005	1005	1005
Total current assets	2655	4975	4649	5471	6772	8525
Total Assets	4455	7348	8203	9459	11321	13780

Source: Company Reports, Aриhant Research

Cash Flow Statement (INR Mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Operating Cash Flow	759	488	662	1,053	1,643	2,282
Cash Flow from Investing	-468	-598	-1,331	-576	-732	-915
Cash Flow from Financing	-145	1,497	-34	-81	-86	-91
Net change in cash	146	1,386	-703	395	826	1,277
Opening cash	747	893	2,279	1,576	1,971	2,797
Closing Cash	893	2,279	1,576	1,971	2,797	4,073

Source: Company Reports, Aриhant Research

Key Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
Per share (INR)						
EPS	15.36	18.86	11.16	15.36	22.10	28.54
BVPS	33.37	76.50	86.91	101.67	123.17	151.11
Valuation (x)						
P/E	14.40	11.70	24.94	18.13	12.60	9.76
P/BV	8.34	3.64	3.20	2.74	2.26	1.84
EV/EBITDA	10.2	17.6	10.9	11.8	8.1	5.9
Return Ratios (%)						
Gross Margin	67.25%	63.06%	60.77%	62.00%	63.00%	63.00%
EBIDTA Margin	44.26%	40.37%	27.96%	30.29%	33.56%	34.54%
PAT Margin	31.59%	28.64%	19.49%	21.45%	24.31%	25.12%
ROE	46.02%	24.66%	12.85%	15.11%	17.95%	18.89%
ROCE	57.24%	33.29%	17.47%	20.47%	24.02%	25.36%
Leverage Ratio (%)						
Total D/E	0.3	0.0	0.0	0.0	0.0	0.0
Turnover Ratios						
Asset Turnover (x)	2.2	2.2	1.3	1.4	1.6	1.7
Inventory Days	68	57	82	80	75	70
Receivable Days	69	65	79	74	70	65
Payable days	48	34	51	45	42	42

Source: Aриhant Research

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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**Research Analyst
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