

CMP: INR 633

Rating: HOLD

Target Price: INR 699

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)	50,960
52w H/L (INR)	675 / 240
Avg Yearly Vol (in 000')	55.02

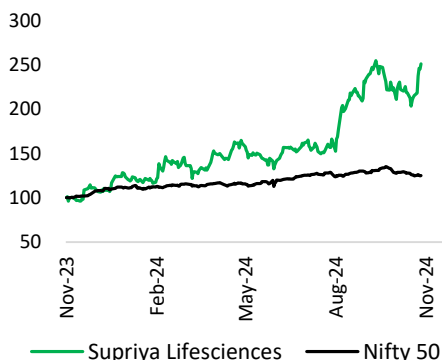
Shareholding Pattern %

(As on Sept, 2024)

Promoters	68.30
FII	6.03
DII	5.45
Public & Others	20.22

Stock Performance (%)	1m	6m	12m
Supriya Lifesciences	11.0	58.0	148.8
Nifty 50	-4.1	6.9	23.6

Supriya Lifesciences Vs Nifty



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Supriya Lifesciences posted a healthy set of earnings for Q2FY25 falling marginally short on our estimates across Revenue, EBITDA and PAT. The Company's revenue increased to INR 1,661 mn increasing by 3.4% QoQ/up 18.6% YoY against our estimates of INR 1,733 mn. Net Profits came at INR 461.5 mn for Q2FY25 up 3.4% QoQ/up 93.2% YoY against our estimates of INR 480 mn. EBITDA increased to INR 647 mn up by 3.5% QoQ/up 103.8% YoY against our estimates of INR 675 mn. The best part of the earnings was the EBITDA margins increasing to 39.0% for Q2FY25 increasing by 3 bps QoQ / up 1,630 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 will increase contribution in the business mix.

The Company has capacity of 550 KLPA at their Lote facility site A, B, C & D. They are adding 400 KLPA capacity at Site E at Lote, and adding another 70 KL at the Ambernath facility, taking up the total capacity to 1,020 KLPA for the company over the next 2-3 years of time. The Company has 18 new products in the Pipeline for which they have already filed US DMFs. These new molecules will be made in the facility in Lote Parshuram with better margins.

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, while the share of Europe business in the mix fell from 51% in Q1FY25 to 38% in Q2FY25, the proportion of Latin America increased from 9% in Q1FY25 to 19% in Q2FY25.

Capex of INR 0.75 bn at Ambernath & Commissioning of New capacity of 470 KLPA in Lote (400 KLPA) & Ambernath (70 KLPA) respectively 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 Q4FY25 or Q1FY26 in a phase wise manner. The Management gave guidance that going ahead, CDMO/CMO segment will contribute revenue of around ~20% over the next 2-3 years.

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 will after the expansion will be exhausted of further space. Hence, the next phase of big capacity expansion will take place in Ambernath for 70 KL. With 76% capacity utilization for Q2FY25 at optimum levels, the Company has been achieving 38-39% EBITDA margins in the H1FY25. 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 achieve INR 10 bn annual revenue. Hence, we maintain our estimates with upward valuation multiple of 20x its FY27E EPS of INR 35 and arrive at a Target Price of INR 699 per share with a HOLD rating.

Particulars (In INR Mn)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Total Revenue	1,661	1,606	1,401	3.4%	18.6%
Raw Material	460	486	616	-5.4%	-25.4%
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 Margin %	39.0%	38.9%	22.7%	3bps	1630bps
Depreciation	47	47	40	1.9%	19.2%
EBIT	600	579	278	3.6%	116.0%
EBIT Margin %	36.1%	36.0%	19.8%	7bps	1628bps
Other Income	25	22	25	13.2%	2.1%
Finance Costs	4	3	5	27.5%	-7.2%
PBT	621	598	298	3.8%	108.4%
Tax Expense	159	151	59	5.2%	170.0%
Effective Tax Rate %	25.6%	25.3%	19.8%	33bps	585bps
PAT	461	446	239	3.4%	93.2%
PAT Margin %	27.8%	27.8%	17.0%	-1bps	1074bps
EPS (INR)	5.73	5.54	2.97	3.5%	93.0%

Source: Company Reports, Arihant Research

Q2FY25 - Concall Highlights

Guidance:

- The Management expects the H2 to be even better than H1 on account of their larger contribution from Europe markets along with launch of several new products from the Protein and Vitamin segment.
- The Management expects the Commercial production to start from Q3FY25 from the new capacity at Lote.
- The Company expects the last quarters of FY27 to witness the full capacity utilization of the new capacity at Lote. They say that the full ramp up to optimum utilization levels will take up to 1.5-2 years of time once the Capacity starts commercial production.

Concall Highlights (Continued)**Guidance (Continued):**

- The Management expects the CMO/CDMO opportunities to contribute 20% of their revenue over the next 2-3 years.
- The Management guides revenue growth of 20% You for FY25.
- The Company expects some margin dilution in the Q3 & Q4 as the new products will be launched in the regulated markets and will take some time for those products to mature.
- The Company maintains their earlier guidance of INR 10 bn of annual revenue by FY28, i.e, over the next 4 years.
- The Management informed that there is 1 Audit due in December month of 2024, and there are no other major Audits due for any site of the company.
- The Ambernath site will be completely Contract Manufacturing unit for the company, and they expect it to start contributing to their revenues by end of Q4FY25 or early Q1FY26, as the site is required for validation from clients before starting productions.

Key Highlights:

- Revenues came at INR 1,661 mn (up 3.4% QoQ / up 18.6% YoY) against our estimates of INR 1,733 mn.
- EBITDA for Q2FY25 stood at INR 647 mn (up 3.5% QoQ/ up 103.8% YoY) against our estimates of INR 675 mn.
- *EBITDA Margins expanded by 3 bps QoQ / 1,630 bps YoY to 39.0% against our estimates of 38.9%.*
- Q2FY25 Net Profits reported was INR 461.5 mn up 3.4% QoQ / up 93.2% YoY, against our estimates of INR 480 mn.
- The Company has capacity of 550 KLPA at their Lote facility site A, B, C & D. They are adding 400 KLPA capacity at Site E at Lote, and adding another 70 KL at the Ambernath facility, taking up the total capacity to 1,020 KLPA for the company over the next 2-3 years of time.
- The Company says that several products are already lined up for Pilot production with several Patents under filing across several markets.
- The Management says that their CMO opportunities are working out well in the European markets, and expects the CMO revenue contribution from Q3FY25.
- The Management clarified that the Company's business is backward integrated in the manner that they don't require to import any Active Ingredients, and source basic chemicals which are not restricted to use in Pharma industry only as Raw Materials.
- The Company considers the LatAm markets as regulated markets like Europe and US markets.
- The new Vitamin product will be launched in 3 phases, and the company has received the approvals only last week. The Food ingredient product will be launched first, followed by the Pharma versions of the Vitamin product, and the Company is focusing to target the extremely regulated markets of Japan, US and Australia.

Financials

P&L (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	4,609	5,704	7,244	9,055	11,318
Change (%)	-13%	24%	27%	25%	25%
Cost of Goods Sold	1,808	2,217	2,680	3,350	4,188
Employee costs	556	676	758	848	950
Other expenses	956	1080	1449	1811	2264
Total operating Expense	3,320	3,974	4,886	6,010	7,402
EBITDA	1,289	1,730	2,357	3,045	3,917
EBITDA %	28.0%	30.3%	32.5%	33.6%	34.6%
Other Income	95	106	157	196	196
Depreciation	118	158	177	206	242
Interest	31	21	45	55	68
PBT	1,235	1,657	2,293	2,980	3,803
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	1,235	1,657	2,293	2,980	3,803
Tax	336	466	596	775	989
Rate (%)	27%	28%	26%	26%	26%
PAT	899	1,191	1,697	2,205	2,814
Change (%)	-41%	33%	42%	30%	28%

Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity share capital	161	161	161	161	161
Reserves & Surplus	6,834	7,993	9,689	11,894	14,709
Net Worth	6,995	8,154	9,850	12,055	14,869
Long term debt	55	50	55	55	55
Short term debt	170	5	4	4	4
Total Debt	225	55	58	58	58
Deferred Tax liabilities	137	232	137	137	137
Current liabilities	780	761	1,019	1,272	1,588
Provisions	67	12	67	67	67
Total Liabilities	8,203	9,212	11,132	13,590	16,720
Net Block	2,604	3,085	3,709	4,228	4,892
Capital Work-in-Progress	676	1,488	869	724	905
Other Non-Current Assets	273	661	890	1,107	1,379
Net fixed assets	3,554	5,234	5,468	6,059	7,176
Investments	64	45	64	64	64
Debtors	847	1,117	1,488	1,861	2,326
Inventories	1,158	852	1,885	2,357	2,946
Cash & bank balance	1,576	750	772	1,433	1,939
Loans & advances & other CA	1,005	1,214	1,454	1,816	2,269
Total current assets	4,649	3,978	5,664	7,531	9,544
Total Assets	8,203	9,212	11,132	13,590	16,720

Source: Company Reports, Arihant Research

Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Operating Cash Flow	662	1,338	667	1,766	2,250
Cash Flow from Investing	-1,331	-570	2,006	2,042	1,412
Cash Flow from Financing	-34	-1,114	-3,131	-3,146	-3,155
Net change in cash	-703	-346	-458	661	507
Opening cash	2,279	1,576	1,229	772	1,433
Closing Cash	1,576	1,229	772	1,433	1,939

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Per share (INR)					
EPS	11.16	14.80	21.08	27.40	34.96
BVPS	86.91	101.31	122.39	149.79	184.75
Valuation (x)					
P/E	25.35	19.12	13.43	10.33	8.09
P/BV	3.26	2.79	2.31	1.89	1.53
EV/EBITDA	13.1	9.6	6.5	4.7	4.7
Return Ratios (%)					
Gross Margin	60.8%	61.1%	63.0%	63.0%	63.0%
EBIDTA Margin	28.0%	30.3%	32.5%	33.6%	34.6%
PAT Margin	19.5%	20.9%	23.4%	24.4%	24.9%
ROE	12.8%	14.6%	17.2%	18.3%	18.9%
ROCE	17.5%	19.9%	23.1%	24.7%	25.6%
Leverage Ratio (%)					
Total D/E	0.0	0.0	0.0	0.0	0.0
Turnover Ratios					
Asset Turnover (x)	1.3	1.1	1.3	1.5	1.6
Inventory Days	82	64	80	80	80
Receivable Days	79	63	70	70	70
Payable days	51	38	45	45	45

Source: Company Reports, Arianth 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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