

**CMP: INR 662**

**Rating: Accumulate**

**Target Price: INR 769**

**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)	53,610
52w H/L (INR)	835 / 289
Avg Yearly Vol (in 000')	60.91

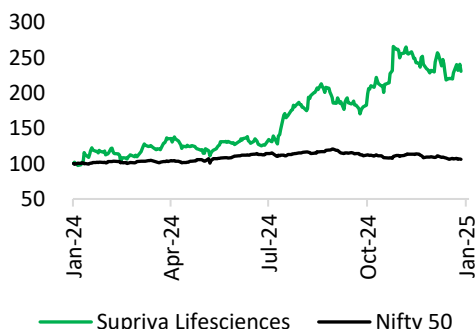
**Shareholding Pattern %**

(As on Dec, 2024)

Promoters	68.30
FII	6.52
DII	4.93
Public & Others	20.25

Stock Performance (%)	1m	6m	12m
Supriya Lifesciences	-4.7	64.3	120.6
Nifty 50	-4.0	-8.0	5.1

**Supriya Lifesciences Vs Nifty**



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Supriya Lifesciences posted a healthy set of earnings for Q3FY25 beating our estimates for topline growth, while slipping marginally on margin side as cost overheads increased significantly with the commissioning of the New Block E at their Lote Parshuram facility with capacity of 335 KLPD, taking their total capacity from 597 KLPD to 932 KLPD. Q3FY25 Revenue came at INR 1,856 mn, against our estimates of INR 1,786 mn, up 11.8% QoQ / up 32.5% YoY. EBITDA came at INR 660 mn, against our estimates of INR 692 mn, up 1.9% QoQ / up 59% YoY. EBITDA Margins came at 35.5%, against our estimates of 38.8%, down 344 bps QoQ / up 591 bps YoY. PAT came at INR 468 mn, against our estimates of INR 494 mn, up 1.4% QoQ / up 57.1% YoY. The Company's Q3FY25 business grew stronger in the geographical region of Latin and Central Americas (21% in Q3FY25 against 8% in Q3FY24), slightly lower than last year in Europe (40% in Q3FY25 against 42% in Q3FY24) and weaker in Asian region (31% in Q3FY25 against 42% in Q3FY24).

**Expansion of Product Portfolio & business segments:** The Company is venturing into newer businesses like Whey Protein which will be generating revenue from FY26 as they received the regulatory permissions for the same. Supriya is also entering new therapies like: Anti allergic, Anti-anxiety and Contrast Media therapy products, and will be launching products in the Contrast Media segment from Q2FY26.

**EBITDA margins to remain intact at +30% levels:** The Management maintained their earlier guidance of +20% YoY revenue growth over the next 3-4 years along with EBITDA margins between 34-36% for FY25 and FY26. The Company has been focussing on penetrating the more regulated markets where the margins are higher for the company, especially in the LatAm and European region. Hence, while the share of Europe business in the mix fell from 42% in Q3FY24 to 40% in Q3FY25, while the proportion of LatAm increased from 8% in Q3FY24 to 21% in Q3FY25.

**Block E commissioning at Lote Parshuram increased capacity by 55%:** The new E block which commissioned recently has added capacity of 335 KLPD, increasing the total capacity from 597 KLPD to 932 KLPD. The Company intends to manufacture the newer products from this facility as they ramp up the utilization of the new block.

**Valuation & Outlook:** We believe Supriya Lifesciences has a perfect blend of Product mixes with the current set of therapies showing traction from the regulated markets of Europe and Latin America. The Management also has given an encouraging guidance on the revenue growth front with +20% YoY growth along with margin guidance of 34-36% for FY25, and we believe the margins will remain above +30% for FY26 as well. The Company's foraying into the new therapies like Anti Anxiety, Anti Allergic and Contrast Media, along with expectation of Whey Protein business to start generating revenue from FY26. Hence, we maintain our estimates with upward valuation multiple of 22x of its FY27E EPS of INR 35 and arrive at a Target Price of INR 769 per share with Accumulate rating.

Key Financials (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,609	5,704	7,244	9,055	11,318
EBITDA	1,289	1,730	2,357	3,045	3,917
EBITDA Margins	28%	30%	33%	34%	35%
PAT	899	1,191	1,697	2,205	2,814
RoE	12.8%	14.6%	17.2%	18.3%	18.9%
Asset Turnover (x)	1.3	1.1	1.3	1.5	1.6

Particulars (In INR Mn)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y
<b>Total Revenue</b>	<b>1,856</b>	<b>1,661</b>	<b>1,401</b>	<b>11.8%</b>	<b>32.5%</b>
Raw Material	618	460	546	34.4%	13.1%
Employee Cost	198	197	176	0.4%	12.6%
Other Expenses	381	357	264	6.8%	44.5%
<b>EBITDA</b>	<b>660</b>	<b>647</b>	<b>415</b>	<b>1.9%</b>	<b>59.0%</b>
<b>EBITDA Margin %</b>	<b>35.5%</b>	<b>39.0%</b>	<b>29.6%</b>	<b>-344bps</b>	<b>591bps</b>
Depreciation	50	47	40	4.6%	25.4%
<b>EBIT</b>	<b>610</b>	<b>600</b>	<b>375</b>	<b>1.7%</b>	<b>62.5%</b>
<b>EBIT Margin %</b>	<b>32.9%</b>	<b>36.1%</b>	<b>26.8%</b>	<b>-325bps</b>	<b>606bps</b>
Other Income	21	25	31	-16.7%	-31.5%
Finance Costs	5	4	5	18.7%	2.6%
<b>PBT</b>	<b>626</b>	<b>621</b>	<b>401</b>	<b>0.8%</b>	<b>56.1%</b>
Tax Expense	158	159	103	-0.7%	53.2%
Effective Tax Rate %	25.2%	25.6%	25.7%	-40bps	-47bps
<b>PAT</b>	<b>468</b>	<b>461</b>	<b>298</b>	<b>1.4%</b>	<b>57.1%</b>
<b>PAT Margin %</b>	<b>25.2%</b>	<b>27.8%</b>	<b>21.3%</b>	<b>-258bps</b>	<b>393bps</b>
EPS (INR)	5.82	5.73	3.70	1.5%	57.3%

### Q3FY25 - Concall Highlights

#### Guidance:

- The Management expects the CMO/CDMO segment to contribute ~20% of the overall revenue by FY27.
- The Company maintained their guidance of minimum 20% revenue growth for FY25 along with healthy margins between 34-36% for FY25 full fiscal year.
- The Company has received regulatory approvals for the Whey Protein new business segment, and is expecting to start generating revenue from FY26 itself, though they didn't gave any numerical figure of the revenue for FY26 at this point.

## **Concall Highlights (Continued)**

### **Guidance (Continued):**

- The Company is expecting good growth for Anaesthetic and Anti histamine therapy products for FY26.
- The Company is looking to add Anti anxiety, Anti allergic and Contrast Media therapies in their product basket, and will be launching the products in due course of time.
- The Company intends to launch the Contrast Media products from the Q2FY26.
- The Ambernath facility is expected to generate revenue from the Q2FY26.
- The North American market is expected to generate revenues of around ~10% by the next 3-4 years. However, the Management expects the Europe and LatAm market to continue to be their largest markets.

### **Key Highlights:**

- Revenue came at INR 1,856 mn, against our estimates of INR 1,786 mn, up 11.8% QoQ / up 32.5% YoY.
- EBITDA came at INR 660 mn, against our estimates of INR 692 mn, up 1.9% QoQ / up 59% YoY.
- EBITDA Margins came at 35.5%, against our estimates of 38.8%, down 344 bps QoQ / up 591 bps YoY.
- PAT came at INR 468 mn, against our estimates of INR 494 mn, up 1.4% QoQ / up 57.1% YoY.
- The Company's Q3FY25 business grew stronger in the geographical region of Latin and Central Americas (21% in Q3FY25 against 8% in Q3FY24), slightly lower than last year in Europe (40% in Q3FY25 against 42% in Q3FY24) and weaker in Asian region (31% in Q3FY25 against 42% in Q3FY24).
- The Company has recently commissioned the much awaited E Block in the Lote Parshuram facility with capacity of 335 KLPD, taking their total capacity from 597 KLPD to 932 KLPD.
- The Company saw 85% of the overall revenue from the Exports market. Of these, 45% came from the highly regulated markets like Europe, Americas, etc.
- The Management attributed the growth in the Q3FY25 revenues majorly coming from the regulated markets.
- The Company intends to use the land parcel close to their existing facilities for the Whey Protein business along with inventory and warehousing needs of the company.
- The Management acknowledged that the LatAm market saw healthy volume growth during Q3FY25.
- North America only contributes 4-5% of their overall revenue. The Management expects the new products to increase the mix for the North American geography in the future.
- The Management stated that they intend to be backward integrated for all their products, and get backward integrated once a product reaches a significant volume. Currently, the backward integrated products make up 77% of their revenues.

## Financials

P&L (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>4,609</b>	<b>5,704</b>	<b>7,244</b>	<b>9,055</b>	<b>11,318</b>
<i>Change (%)</i>	-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
<b>Total operating Expense</b>	<b>3,320</b>	<b>3,974</b>	<b>4,886</b>	<b>6,010</b>	<b>7,402</b>
<b>EBITDA</b>	<b>1,289</b>	<b>1,730</b>	<b>2,357</b>	<b>3,045</b>	<b>3,917</b>
<b>EBITDA %</b>	<b>28.0%</b>	<b>30.3%</b>	<b>32.5%</b>	<b>33.6%</b>	<b>34.6%</b>
Other Income	95	106	157	196	196
Depreciation	118	158	177	206	242
Interest	31	21	45	55	68
<b>PBT</b>	<b>1,235</b>	<b>1,657</b>	<b>2,293</b>	<b>2,980</b>	<b>3,803</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>1,235</b>	<b>1,657</b>	<b>2,293</b>	<b>2,980</b>	<b>3,803</b>
Tax	336	466	596	775	989
<i>Rate (%)</i>	27%	28%	26%	26%	26%
<b>PAT</b>	<b>899</b>	<b>1,191</b>	<b>1,697</b>	<b>2,205</b>	<b>2,814</b>
<i>Change (%)</i>	-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
<b>Net Worth</b>	<b>6,995</b>	<b>8,154</b>	<b>9,850</b>	<b>12,055</b>	<b>14,869</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	1,019	1,272	1,588
Provisions	67	12	67	67	67
<b>Total Liabilities</b>	<b>8,203</b>	<b>9,212</b>	<b>11,132</b>	<b>13,590</b>	<b>16,720</b>
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
<b>Net fixed assets</b>	<b>3,554</b>	<b>5,234</b>	<b>5,468</b>	<b>6,059</b>	<b>7,176</b>
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
<b>Total current assets</b>	<b>4,649</b>	<b>3,978</b>	<b>5,664</b>	<b>7,531</b>	<b>9,544</b>
<b>Total Assets</b>	<b>8,203</b>	<b>9,212</b>	<b>11,132</b>	<b>13,590</b>	<b>16,720</b>

Cash Flow Statement (INR Mn)	FY23	FY24E	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
<b>Per share (INR)</b>					
EPS	11.16	14.80	21.08	27.40	34.96
BVPS	86.91	101.31	122.39	149.79	184.75
<b>Valuation (x)</b>					
P/E	65.11	49.12	34.49	26.53	20.79
P/BV	8.37	7.18	5.94	4.85	3.93
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%	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%
<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	1.3	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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