Stock Note

Supriya Lifescience Ltd.

Dec 26, 2023

RETAILRESEARCH

Supriya Lifescience Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 297	Buy in the band of Rs 297-301 & add more on dips to Rs 268	Rs 329.5	Rs 360.5	2-3 quarters

HDFC Scrip Code	SUPRIYALIFE
BSE Code	543434
NSE Code	SUPRIYA
Bloomberg	SUPRIYA IN
CMP Dec 22, 2023	297
Equity Capital (Rs cr)	16.1
Face Value (Rs)	2
Equity Share O/S (cr)	8.05
Market Cap (Rs cr)	2391
Book Value (Rs)	87
Avg. 52 Wk Volumes	638189
52 Week High	310
52 Week Low	171

Share holding Pattern % (Sep, 2023)	
Promoters	68.3
Institutions	12.5
Non Institutions	19.2
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Supriya Lifescience Ltd. is an active pharmaceuticals ingredients (API) player with a focus on niche products having limited competition. It has a niche product basket comprising 38 APIs across diverse therapeutic segments. It is the largest exporter of Chlorpheniramine Maleate and Ketamine Hydrochloride from India and is also among the largest exporters of Salbutamol Sulphate from India.

Supriya has 1200+ customers and has presence in more than 86 countries. It is the largest exporter of Chlorpeniramine, Maleate, Ketamine Hydrochloride and Salbutamol Sulphate from India. Management has guided for strong growth in the US, Europe, and Latin American business over the next 2-3 years. For FY23, the company reported robust growth in the US business, and it contributed to 8% of sales. The blended capacity utilization was at 70% during FY23. Company is setting up two R&D centres i) At Lote Parshuram to cater to lifecycle management and backward integration projects ii) At Ambernath to cater to new molecules and CMO/CDMO opportunities. Lote centre is already operational while Ambernath centre may get operational by Q3FY24. These centres would help to develop identified APIs which will complement existing product profile.

Supriya has 4 manufacturing blocks segregated by therapeutic area with current reactor capacity of 597KL. Capacity utilization increased from 47% to ~70% in FY23. The company has submitted 15 DMF with US FDA and has 4 APIs under submission with the US FDA while 9 CEPs with EQDM have been granted and has 5 CEPs under progress with EDQM. This would further augment product portfolio in the medium term. It has already spent around Rs 203cr in capital expenditure in the last 2 years. Management expects EBITDA margin to be in the range of 28-30%. They have set ambitious goals to double the company's revenue by FY26/27. The company plans to spend around Rs 90cr in capex for FY24 and a total of Rs 100-120cr in FY25 & FY26.

Company has signed two agreements with Kalinga Institute of Technology for development of one-of-its-kind novel oral cancer detection kit named Quickblue and a wound healing gel named GelHeal. Supriya has undertaken capacity enhancement for further backward integration for existing products, new product rollouts and CMO/CDMO opportunities. Work is in progress on the next manufacturing block (E block) at Lote Parshuram with capacity of 340 KL to be operational by Q3FY24. A new manufacturing block with capacity of 70 KL along with a new R&D facility with Pilot plant is also being set up at Ambernath. With these projects the total capacity will increase from 597 KL to 900 KL by Q3FY24.

Management sees good opportunities in CMO/CDMO space in the long term. Recently, the company made two exclusive agreements with US and European Client and this would drive revenue from FY26 onwards.

Valuation & Recommendation:

Supriya is well placed with its leadership position in niche products, focus on exclusive tie-ups and new product launches mainly in regulated markets. Its backward integrated facilities with geographical diversification should help drive growth momentum in the coming years. We are positive on the company on the back of strong growth trajectory in top products and expected launch of new products and commissioning of new facilities, which would drive growth in the next 2 years. Company has guided for strong double digit revenue growth along with margin in the band of 30-32% in the next 2 years.

Surpiya has faced multiple headwinds during FY23. The Chinese market continues to remain a concern for the company because of which the management is de risking current product basket, minimising geographical reliance, and introducing new product baskets.
We estimate Revenue, EBITDA, and PAT CAGR of 20%, 21.5% and 21% respectively over FY23-26E. We feel investors can buy the stock in the band of Rs 297-301 and add more on declines to Rs 268 (15.25x Sep-25E EPS) for base case target of Rs 329.5 (18.75x Sep-25E EPS) and bull case target of Rs 360.5 (20.5x Sep-25E EPS) over the next 2-3 quarters.

Financial Summary

Particulars (Rs cr)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Revenues	140	112	24.9	132	6.1	312	391	530	461	562	664	807
EBITDA	44	31	41.9	44	0.0	99	173	214	129	161	181	231
Depreciation	4	3	33.3	4	1.3	6	7	10	12	17	22	25
Other Income	3	3	-3.8	3	-13.8	11	5	8	10	11	12	13
Interest Cost	1	1	-37.5	1	-16.7	7	4	4	3	3	3	4
Tax	6	11	-42.9	14	-57.7	23	44	55	34	41	44	56
PAT	24	17	41.4	29	-16.1	74	124	152	90	112	124	159
EPS (Rs)						10.0	16.9	18.9	11.2	13.9	15.4	19.8
RoE (%)						60.5	59.2	34.4	13.7	14.9	14.4	16.0
P/E (x)						26.1	15.5	13.9	23.4	18.9	17.0	13.3
EV/EBITDA (x)						20.0	11.4	9.2	15.3	12.2	10.8	8.5

(Source: Company, HDFC sec)

Q2FY24 result update

- Revenue grew 24.8% YoY at Rs 140cr. EBITDA margin contracted 270bps YoY at 22.7%. PBT for the quarter was up 9% YoY at Rs 29.8cr. Net profit increased 41% YoY at Rs 23.9cr.
- Europe accounted for 39% of revenue in H1FY24, marking a significant increase from 24% in H1FY23. Company plans to patent new technologies and initiate projects for the Contract Development Manufacturing Organisation (CDMO) business, leading to potential long-term revenue growth.
- In CDMO segment, the company understands large scale special chemical manufacturing and has experience in handling hazardous complex process chemistry. It has Initiated discussion with various companies ranging from big pharma to innovator companies to work as a partner for supplying products as per their needs. Supriya has recently announced one of key CMO project with a leading European company where Supriya will be exclusive API supplier. The contract spans a period of 10 years and is expected to generate peak revenue of Rs 40cr per year starting from FY27. Moreover, the company has identified two similar opportunities in the API and advanced intermediate space, along with several other potential opportunities.
- Company derived 80% of sales from International markets. Top-10 customers accounted for 45% of sales.
- Capacity utilization increased to 70% as on FY23 vs. 47% as on FY22.
- Key therapy and market - China continues to be impacted and the company is actively working on strategies to mitigate the impact and regain momentum. On the other hand, the regulated markets like Europe, North America and Latin America have shown positive performance. There was also better traction in therapies such as analgesics/anesthetic, anti- asthmatic and anti-allergic.
- Company has taken additional steps for business expansion around the globe especially in North America, Japan, Australia and New Zealand.
- Ambernath lab is currently under construction and will be operational by H2FY24. and this would be used for next phase of expansion.
- Company has identified two similar opportunities in the API and advanced intermediate space, along with several other potential opportunities.
- Company plans to add 350 KL capacity through Block E, which is expected to be operational by the fourth quarter of FY24. With these projects the total capacity will increase from 597 KL to 900 KL by Q4 FY24.
- 72% of revenue generated from products that were backward integrated in FY23.
- Company aims to double its revenue in the next three years and also sees potential to improve EBITDA margin. It is expanding its product basket by adding 6-7 molecules, targeting anti-anxiety, anesthesia and anti-diabetes, and diversifying into contract development and manufacturing organization (CDMO) services which could boost margin by 300-400bps in the 2-3 years.
- Supriya has done filings in US and Europe for eight to ten products from its existing portfolio. Many of these products will be backward integrated.

- All its top selling APIs, such as chlorpheniramine maleate (allergy and common-cold), ketamine hydrochloride (anaesthetic) and salbutamol sulphate (bronchodilator/Asthamatic), are backward integrated, up to the level of intermediates or key starting materials that make them less vulnerable to price and supply chain volatility.

Concall Highlights

- Company has signed two agreements with Kalinga Institute of Technology for development of one-of-its-kind novel oral cancer detection kit named Quickblue and a wound healing gel named GelHeal. Supriya has filed for a patent for the QuickBlue oral chip.
- The gel is an extremely innovative product which helps in wound healing and scar free wound healing again no significant competitors globally for both the products. The products are already developed at the lab stage, but now the company would take them through the commercialization stage.
- Company expects to maintain EBITDA margin of 28-30% for full year.
- The company is focused on expanding into Brazil and Mexico, which are emerging regulatory markets for APIs.
- Repairs and maintenance were higher due to the impending FDA audit in December.
- Management maintained guidance of 20-25% growth in revenue in the medium term.
- One of the main reasons why the margin declined in the quarter because of the geographic and product mix.
- As a part of strategy, the company focuses in the last couple of quarters to derisk portfolio and some of the other products other than major products. It is trying to scale up in semi-regulated markets and then into the regulated markets.
- Around 46% of sales derived from regulated markets and the rest would be in semi regulated and unregulated markets. India would be somewhere around 19% of sales. Europe accounted for 39% of revenue in H1FY24, increased significantly from 24% in H1FY23.
- Major part of the growth came from higher volumes in the quarter.
- The addition of CDMO capabilities would provide a new leg of growth for the company. As per management, this business is expected to contribute Rs 100-120 crore to revenue in the next 2-3 years.
- A lot of new products are getting infused in the portfolio which are just out of development and in validation stage. In the next 9-12 months, the company would start filing for these products.
- These are the two main areas for the CDMO opportunities that it will also start scaling up the whey protein which was announced two quarters back. DSM is the name of the company with whom it has tied up for the vitamin product. So, those volumes will also start coming in.
- Management guided for about Rs 100 crore capex per annum in FY24 and FY25.
- Key products have been fully backward integrated, the company is in the process to backward integrate few products. Higher revenue from regulated markets and backward integration benefits would help in margin expansion in the coming years.

- There have been some changes in the norms in Brazil. GMP certification is required for the same. So, looking the new notification of Brazil and Mexico, Supriya immediately started entering into and giving the documentation to the regulatory authorities and out of the current 17 APIs, 12 have been registered with the regulatory authority of Brazil.
- So, out of the three collaborations, the plasma nutrition the protein project that would be slightly faster as compared to the other two. For the plasma nutrition, the company has already started manufacturing some small trial quantities of samples and started giving them to all the larger protein distributors.
- The company is building a pipeline of new products, which could extend it beyond its longstanding competence in the area of antihistamines and towards anti-diabetics and other areas. Additionally, the company plans to patent new technologies and initiate projects for the Contract Development Manufacturing Organisation (CDMO) business, leading to potential long-term growth driver.

Two new R&D Centres

Company has initiated process of setting up enhanced R&D facility. The R&D lab at Lote Parshuram is spread across 800 Sq. mt. In this lab along with lifecycle management and backward integration the focus would be on new product development and CMO/CDMO opportunities. The Ambernath lab is currently under construction and will be operational by H2FY24 and this would be used for next phase of expansion. These centres will help to develop identified APIs which will complement existing product profile. Ambernath would be around 70 to 100 KL depending again on the kind of product mix, it is multiproduct facility. It has acquired a plot at Isambe, that would be for the next leg of growth.

Controlled drugs portfolio would be expanded, identification of potential APIs have been done which are in development pipeline, also evaluating product portfolio expansion by selecting products in anti-diabetic and CNS range. Company has taken additional steps for business expansion around the globe especially in north America market, Japan, Australia and New Zealand.

Backward Integration of key molecules augurs well from cost competitiveness and availability perspectives

Supriya's manufacturing capabilities range from development of simple molecules to highly complex molecules with expertise in different class of reactions. It has implemented backward integration for its API products to have control over the supply chain process (intermediates). 15 products are backward integrated, which contributed 72% of its total revenue and it is in the process to further backward integrate 3 more products in the medium term. It helps the company to have sustainable business and reduce dependency on external sources. This ensures quality check and security of availability of essential raw materials which acts as one of its key strengths. Company would continue to grow sales in existing geographies in Latin America, North America, Europe, Asia and Middle East led by steady growth in the existing products and new launches.

De-risking of portfolio and scale up of molecules on cards, capex to help in organic growth

Company is diversifying its product portfolio with its strong pipeline. Focus would mainly remain to eliminate the risk associated with dependence on few APIs. Supriya has filed 15 DMFs with the US FDA and 9 active CEPs with EDQM for their API products in therapeutic areas such as anti-histamine, analgesic, anaesthetic, vitamins, anti-asthmatic and anti-allergic. It will continue to focus on developing and filing of more DMFs in the area of niche and differentiated products which provide better growth opportunities and would help in developing its business.

Supriya has started capex for 'E' Block and the work is in progress at Lote, Parshuram with capacity of 340 KL to replace old block with 145 KL capacity. A new manufacturing block with capacity of 70 KL along with a new R&D facility with Pilot plant is also being set up at Ambernath. Scale up of the newer products would be coming from the new block as total capacity will increase from 597KL to 900KL.

Established presence with high market share in key molecules

Supriya has established itself as the leading exporter of its key molecules with 45-50% share of the total exports of Chlorpheniramine Maleate from India, 60-65% share for Ketamine Hydrochloride and 30-40% for Salbutamol Sulphate. Being the market leader for its key products with manufacturing facilities approved by major regulatory authorities (US FDA, EDQM, WHO etc.) across the world, which enable the company to command a price premium over its peers, leading to better margin profile.

Presence limited to molecules in mature therapies with relatively higher product concentration

Supriya's presence is limited to molecules in relatively mature therapies, including Anaesthetics and Anti-Histamines which contributed to 68% of total sales in FY23. The key molecules manufactured are Ketamine Hydrochloride, Chlorpheniramine Maleate and Salbutamol Sulphate that contributed to ~60% of its total sales, resulting in relatively higher product concentration. However, product diversification is expected to improve with the launch of new molecules which are under submission. Company is also exploring opportunities in the CMO/CDMO space with several products under development that are likely to support revenue growth over the medium term.

Venturing into new markets and update on CMO/CDMO projects

To reduce customer concentration and expand market reach, the company has devised a strategy to introduce its existing products into new geographies Furthermore, the company is in the process of constructing two additional R&D centers at Lote Parshuram and Ambernath to focus on developing new niche items with significant volume potential. Supriya has secured a key contract manufacturing organization (CMO) project with a leading European company This contract spans over a period of 10 years and is expected to generate peak revenue of Rs 40 crore, starting from FY27. In addition to this project, the company has identified two similar opportunities in the API and advanced intermediate space, indicating potential growth prospects.

Company has initiated discussion with various companies ranging from big pharma to innovator companies to work as a partner for supplying products as per their needs.

Supriya Lifescience and Plasma Nutrition Inc. announce collaboration in Protein Technology

Supriya Lifescience Ltd announced its recent collaboration with Plasma Nutrition, Inc, a renowned US-based company known for innovative consumer products located at Delaware. The strategic partnership involves an exclusive technology licensing agreement, granting Supriya Lifescience Ltd the sole rights for manufacturing and marketing Ingredient Optimized Protein (ioProtein) in India. The primary purpose of this collaboration is to bring the optimized protein into the Indian market. ioProtein is a patented process (patent pending in the US) This revolutionary protein powder is designed for use as protein supplements and boasts a significant advantage, and it is highly bioavailable.

Supriya Lifescience will lead the manufacturing and marketing of ioProtein in India. This marks the introduction of a new category of protein powders in the Indian market, and it is relatively healthier compared to other popular protein powders available through various Gyms, general stores, and digital marketing channels.

Supriya signed an agreement with Kalinga Institute for further development of wound healing gel

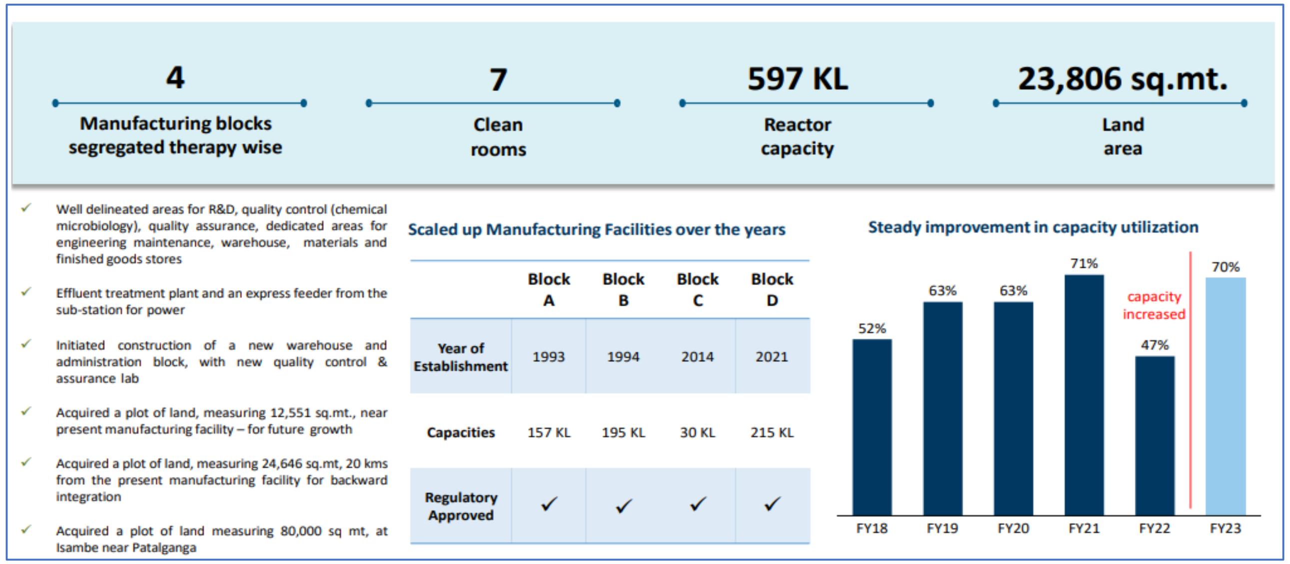
In Nov-2023, Supriya Lifescience, one of India's leading speciality API manufacturing company and CDMO signs an agreement with Kalinga Institute of Technology for further development of GelHeal. The gel-based cream may prove to be prolific in easing and healing not only third-degree wounds, cuts, bite wounds but also diabetic foot ulcers, pressure ulcers, venous leg ulcers and surgery wounds. This radical shift in dermatology and skin grafting would also now cater to scar-free skin, not mandating repetitive hospitalization through the topical formulation for skin regeneration gel, thus proving cost cost-effective and less time-consuming medical solution.
Quickblue, an oral cancer diagnosis kit allows patients to discover cancer cells in minutes, which is advanced over current traditional approaches such as biopsy. This product is not only a cheaper option but also found very sensitive detector. The global cancer market is estimated at US$ 21.5 billion and the company is expecting to create a ~1% market share in the long run.

What went wrong in FY23?

After strong set of numbers in FY22, Supriya reported dismal numbers in FY23. Revenue declined 13% while EBITDA/PAT declined by 39%/41% in FY23. The fall in revenue was on account of low demand from the Chinese market for its key therapy i.e. Anti-histamine. Due to the COVID in China, usage of hand sanitisers and masks increased and people staying indoors; thereby the demand for its anti-histamine range significantly dropped. Management had highlighted that improvement will be gradual and it will take another 2-3 quarters for the situation to normalise. Further, to mitigate this impact, Supriya is expanding regulatory market presence, optimizing manufacturing capacity, and diversifying product offerings and geographic reach.

Since the company has a leadership position in the Anti-histamine range for which China is the largest market, the demand for Antihistamine products has declined due to the Covid situation.

Management plans to extend their backward integration model to their newer products to stay competitive. Company enhanced the capacities and initiated registration for other therapies such as Decongestion, Anti-hypertensive, Anti-Asthmatic, Vitamins and Anti-allergic.



CMO opportunity

As of March, 2023, the company was engaged in technology transfer for nine CMO projects, these projects are expected to contribute significantly to revenue in H2FY24. In some cases, the company will manufacture advanced intermediates for multinational companies, reinforcing its position as a reliable partner. For two CMO projects, the company will play a di-centric role where it partners the innovator and supplies all the latter's resource needs from its GMP approved site. It is also venturing into nutraceuticals through two CMO projects, deepening its de-risking.

The company identified a handful of products with volume potential to fast-track its entry into the regulated market space. These molecules are expected to contribute significantly to topline and margins. As these products mature in the regulated market over the next few quarters, the portfolio could de-risk further. The cumulative outcome is that the company could double its topline in three years.

Outlook

The company intends to enter the pain management, anti-anxiety and anti-diabetic segments. These portfolio additions present growth opportunities leading to business sustainability. The company is confident of sustained growth across the foreseeable quarters and doubling capacity by the beginning of FY25.

Company's North American presence grew 144% YoY during the year, attributed to increasing traction of Maleate Group and Ketamine. The market's growth was supported by the positive response to other therapeutic category molecules and there is scope for a further expansion in this geography leading to attractive revenue possibilities.

Europe continued to remain one of the company's largest regulated markets, accounting for 28% of revenues. The company registered ten quality products; Europe continued to be a key market and the company will continue to leverage its potential to drive revenues.
As of March, 2023, the company had submitted 15 active Drug Master Files (DMFs) to the US FDA, alongside nine active Certificates of Suitability (CEPs) to the European Directorate for the Quality of Medicines & Healthcare (EDQM) for API products spanning antihistamine, analgesic, anesthetic, vitamin, anti-asthmatic, and anti-allergic therapeutic categories.

Rising interest in personal health and well-being drive demand for vitamins segment

The consumers are increasingly shifting towards including vitamins and supplements in their daily routine due to fast-developing interest as well as awareness over personal health and well-being. Micronutrients are vitamins and minerals which the body needs in very small amounts but their impact on a body's health are critical. Deficiency in any one of them can cause severe and even life-threatening conditions.
The global vitamins market size was valued at US$ 28.8 billion in 2021 and is projected to reach US$ 59.2 billion by 2031, to grow at a CAGR of 7.5% from 2021 to 2031. Growth in the vitamins market was marked by increased awareness about nutraceuticals benefits, increased prevalence of vitamin deficiencies due to dietary changes. The global vitamins market has been segmented largely based on type of vitamins as vitamin B, vitamin C, vitamin E and others. According to WHO, more than 2 billion people were suffering from micronutrient deficiencies, thus leading to consumption of some or other vitamins. Moreover, the growing birthrates and senior citizens in developing countries is leading to growth of pediatric and calcium vitamins.

CDMO

India is becoming a preferred destination for outsourcing the pharmaceutical activities across pharma value chain. Global pharmaceutical players are continuously witnessing cost pressures and looking for ways to shorten time to market. So, the industry is looking for established CDMO partners, particularly in Asian markets such as India and China. China may not be the most preferred partner for CDMO outsourcing on account of regulatory headwinds in China, closure of certain API and chemical companies on account of environment pollution, and political confrontations with the developed economies of the world. Over the last decade, Indian CDMO companies have demonstrated their capabilities on the global platform and are well-positioned to benefit from increased R&D outsourcing in the pharmaceutical industry.

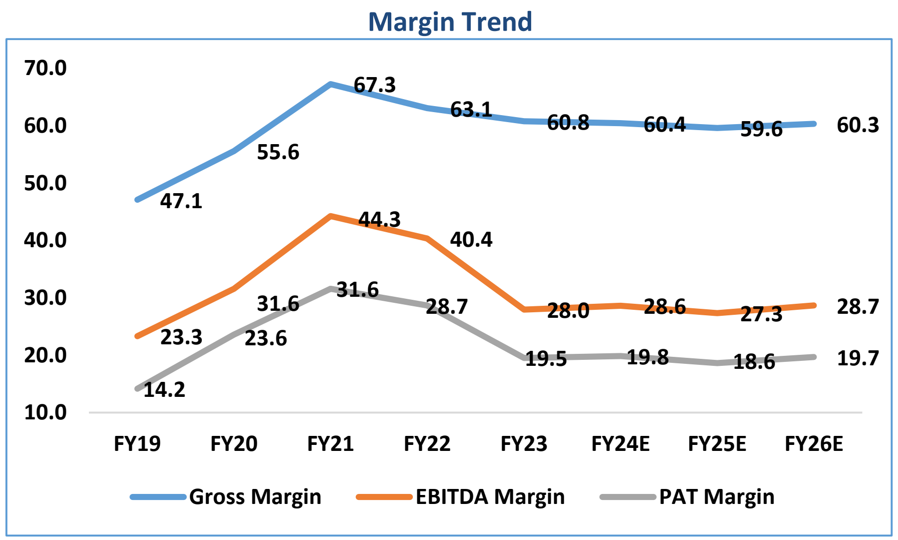
Company supports drug development and manufacturing programs for global pharmaceutical and biotech companies at all stages from pre-clinical stage to commercialization. The development and manufacturing teams maintain a tight focus on performance at scale, continuous process improvement, securing and de-risking supply chains to provide an efficient, compliant, cost-effective and long-term commercial drug substance and drug product solutions. The strong analytical chemistry team works with the chemical development and tech transfer teams to provide necessary phase-appropriate support to clients for their drug substance and drug product analytical development needs.

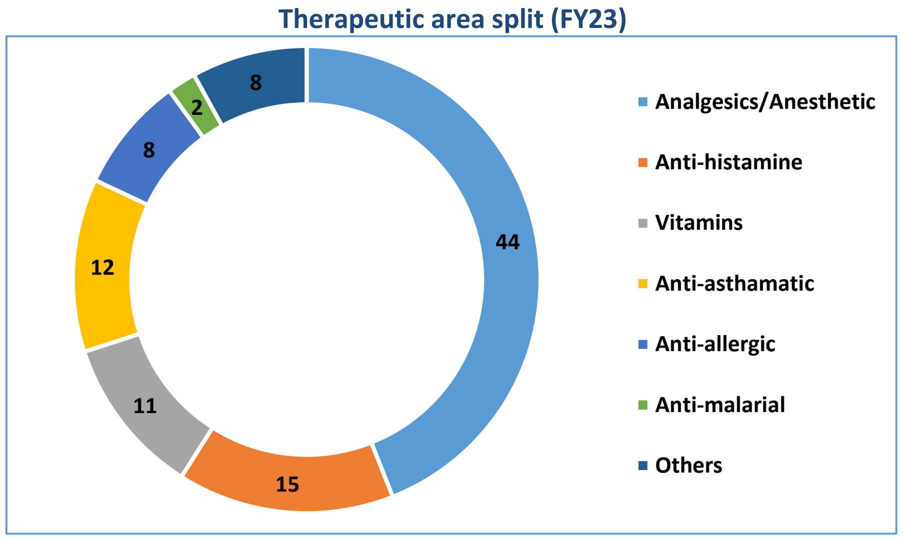
Key Risks

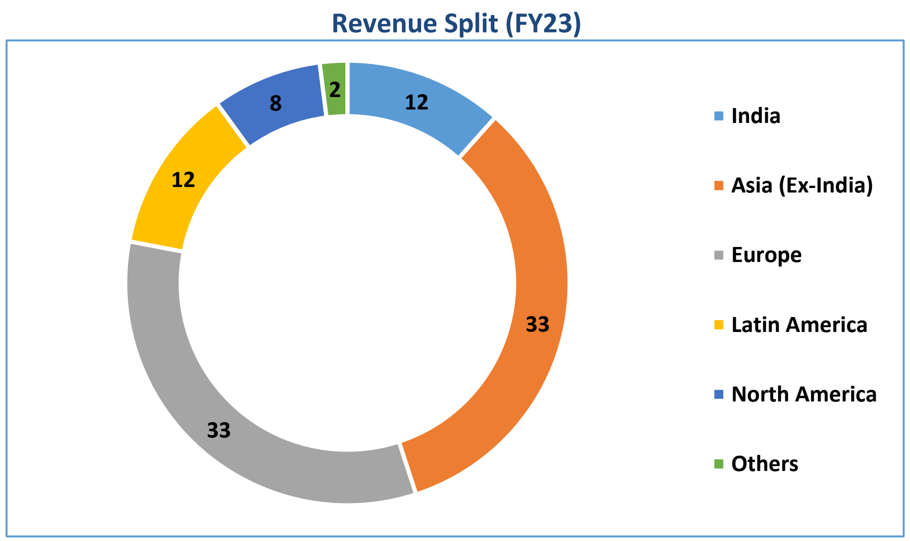
- Company faces product concentration risk as top-5 products contribute major portion of their revenue. Any delay in development and commercialization of newer products could impact future growth prospects of the company.
- Company's inability to effectively utilize its manufacturing capacities could have an adverse effect on the business.
- Large fluctuations in foreign exchange may impact the company as more than 80% of revenue come from exports sales.
- Company derives large part of revenues from International markets, and being a pharma player, it is imperative to secure approvals from regulatory bodies across the globe. Any adverse action from regulatory authorities would hinder its growth prospects.
- Company derived around 48% of revenue from Top-10 customers. Though the company has long standing relationships with its key customers, if the company loses any of these clients, then it may impact overall performance.
- Supriya has molecules in mature therapies including anti-histamine, analgesic/anesthetic therapies and others, which exposes it to competitive environment. Supriya deliberately chooses products which are mature and where demand is not likely to taper off soon. Also, the company avoids products that have recently gone off patent to avoid price wars.
- Supriya faces regulatory risks across countries where it is present.

Company Background

Supriya Lifescience Ltd. manufactures and exports various APIs across therapeutic areas. Its manufacturing unit is in Ratnagiri district, Maharashtra with a current annual production capacity of 597 KL across 4 manufacturing blocks. The company has its own R&D unit located at the manufacturing site, recognised by the Department of Scientific and Industrial Research (DSIR) which is a part of the Ministry of Science and Technology. The company holds World Health Organisation (WHO) Good manufacturing practice (GMP), EU GMP, European Directorate for the Quality of Medicines & HealthCare (EDQM), US FDA, Korean FDA, Mexican FDA certifications for manufacturing various bulk drugs. It is backed by strong R&D, 15 active US DMFs, 9 active CEPs and worldwide compliant facilities (EMA, US FDA, WHO, PMDA, TGA, ANVISA etc.). The product portfolio includes over 38 products and it has a global footprint that extends across 80+ countries.







(Source: Company, HDFC sec)

Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	391	530	461	562	664	807
Growth (%)	25.5	35.5	-13.0	22.0	18.0	21.6
Operating Expenses	218	316	332	401	482	576
EBITDA	**173**	**214**	**129**	**161**	**181**	**231**
Growth (%)	75.8	23.6	-39.7	24.9	12.6	27.5
EBITDA Margin (%)	44.3	40.4	28.0	28.6	27.3	28.7
Depreciation	7	10	12	17	22	25
EBIT	166	204	117	144	160	206
Other Income	5	8	10	11	12	13
Interest expenses	4	4	3	3	3	4
PBT	167	207	124	152	168	215
Tax	44	55	34	41	44	56
RPAT	**124**	**152**	**90**	**112**	**124**	**159**
Growth (%)	68.2	22.8	-40.7	23.8	10.9	28.5
EPS	16.9	18.9	11.2	13.9	15.4	19.8

Balance Sheet

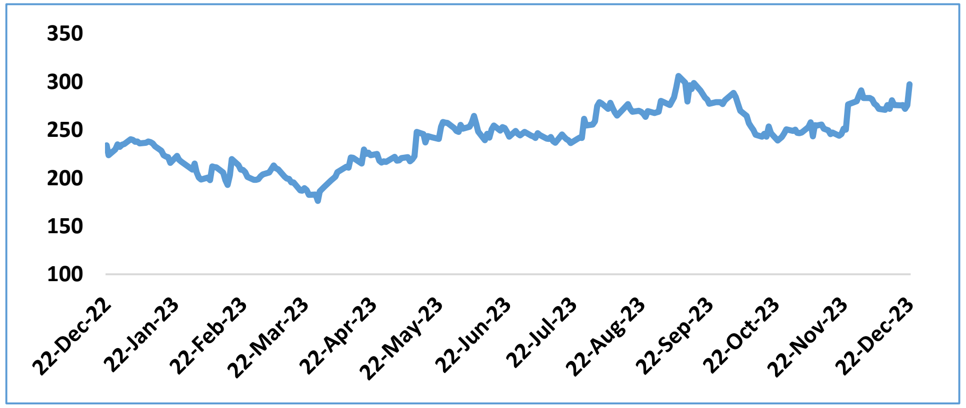
As at March	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCE OF FUNDS						
Share Capital	14.6	16.1	16.1	16.1	16.1	16.1
Reserves	254	600	683	787	903	1051
Shareholders' Funds	**269**	**616**	**699**	**804**	**919**	**1067**
Long Term Debt	0	0	0	0	0	0
Net Deferred Taxes	8	11	14	13	12	14
Long Term Provisions & Others	23	8	11	16	21	25
Total Source of Funds	**299**	**635**	**724**	**832**	**952**	**1106**
APPLICATION OF FUNDS						
Net Block (incl. CWIP)	177	232	328	409	467	513
Intangible Assets	2	2	1	1	1	1
Non-current Investments	0	0	25	29	35	42
Long Term Loans & Advances	1	4	1	4	7	10
Total Non Current Assets	**180**	**237**	**355**	**443**	**510**	**566**
Current Investments	0	0	0	0	0	0
Inventories	73	92	116	104	123	146
Trade Receivables	74	115	85	119	140	171
Short term Loans & Advances	0	1	1	1	2	3
Cash & Equivalents	89	228	158	154	164	204
Other Current Assets	30	62	106	120	143	168
Total Current Assets	**265**	**498**	**465**	**498**	**572**	**692**
Short-Term Borrowings	70	22	17	20	25	28
Trade Payables	51	49	64	72	87	103
Other Current Liab & Provisions	24	28	14	16	17	19
Short-Term Provisions	1	0	1	1	2	2
Total Current Liabilities	**146**	**100**	**96**	**108**	**131**	**152**
Net Current Assets	119	398	369	389	441	539
Total Application of Funds	**299**	**635**	**724**	**832**	**952**	**1106**

Supriya Lifescience Ltd.

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	167	207	124	152	168	215
Non-operating & EO items	-5	-8	-10	-11	-12	-13
Interest Expenses	4	4	3	3	3	4
Depreciation	7	10	12	17	22	25
Working Capital Change	-67	-104	-34	-24	-42	-59
Tax Paid	-30	-61	-29	-41	-44	-56
OPERATING CASH FLOW (a)	**76**	**49**	**66**	**96**	**95**	**116**
Capex	-48	-60	-109	-98	-80	-70
Free Cash Flow	28	-11	-42	-2	15	46
Investments	-4	-8	-34	-7	-9	-10
Non-operating income	5	8	10	11	12	13
INVESTING CASH FLOW (b)	**-47**	**-60**	**-133**	**-94**	**-77**	**-67**
Debt Issuance / (Repaid)	-6	-48	4	4	4	6
Interest Expenses	-4	-4	-3	-3	-3	-4
FCFE	18	-63	-41	-1	16	48
Share Capital	0	1	0	0	0	0
Dividend/Buyback	-4	0	-5	-7	-8	-10
FINANCING CASH FLOW (c)	**-14**	**150**	**-4**	**-6**	**-8**	**-8**
NET CASH FLOW (a+b+c)	**15**	**139**	**-70**	**-4**	**10**	**41**

One Year Price Chart



Key Ratios

	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profitability (%)						
Gross Margin	67.3	63.1	60.8	60.4	59.6	60.3
EBITDA Margin	44.3	40.4	28.0	28.6	27.3	28.7
EBIT Margin	42.5	38.5	25.4	25.7	24.1	25.6
APAT Margin	31.6	28.7	19.5	19.8	18.6	19.7
RoE	59.2	34.4	13.7	14.9	14.4	16.0
RoCE	55.6	32.1	16.2	17.3	16.8	18.6
Solvency Ratio						
Net Debt/EBITDA (x)	-0.1	-1.0	-1.1	-0.8	-0.8	-0.8
D/E	0.3	0.04	0.0	0.0	0.0	0.0
Net D/E	-0.1	-0.3	-0.2	-0.2	-0.2	-0.2
PER SHARE DATA (Rs)						
EPS	16.9	18.9	11.2	13.9	15.4	19.8
CEPS	17.8	20.1	12.7	15.9	18.1	22.8
BV	37	76	87	100	114	133
Dividend	0.4	0.6	0.6	0.8	0.9	1.3
Turnover Ratios (days)						
Debtor days	69	79	67	77	77	77
Inventory days	57	57	82	68	68	66
Creditors days	101	67	85	78	78	78
VALUATION (x)						
P/E	15.5	13.9	23.4	18.9	17.0	13.3
P/BV	7.1	3.4	3.0	2.6	2.3	2.0
EV/EBITDA	11.4	9.2	15.3	12.2	10.8	8.5
EV / Revenues	5.0	3.7	4.3	3.5	3.0	2.4
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.3	0.5
Dividend Payout (%)	2.4	3.2	5.4	5.8	5.9	6.6

(Source: Company, HDFC sec)

KUSHAL MAHENDRA RUGHANI

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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