

10th June 2024

Supriya Lifesciences– BUY

CMP : Rs.369
Target Price : Rs.456
Upside : 24%+
Stop Loss : Rs.302(Closing basis)

Investment Thesis

- Supriya Lifesciences (SLL) boasts a niche portfolio of 38 APIs and is developing and registering 9 new APIs with a focus on expanding into high-growth categories (anti-gout, anti-diabetic, anti-anxiety, anti-cancer, etc). The company leverages its leadership position in anesthetics and strong export presence (Chlorpheniramine Maleate, Ketamine Hydrochloride, Salbutamol Sulphate) to drive growth. Additionally, the new APIs are under development across various therapeutic segments, indicating a robust pipeline and an existing product portfolio indicates a high growth potential in the long run.
- SLL is advancing into CMO/CDMO with 3 key contracts:
 - DSM Firmenich: Supplier of vitamin B2 and food-grade material and there is potential for API development.
 - Kalinga Institute of Technology: Co-development of novel Oral Cancer Detection Kit (QuickBlue) and Wound Healing Gel (GelHeal).
 - Plasma Nutrition (US): Exclusive manufacturing of Ioprotein, a patented protein technology, for the Indian market.
 Venturing into these segments can enhance revenue and profitability and the overall growth prospects of the company.
- SLL is expanding manufacturing capacity with Module E at ParshuramLote, debottlenecking existing modules, and establishing an R&D (API, CMO/CDMO) and bottling facility in Ambarnath (Q2 FY25). Total capacity rises to 1020 KL/day, supporting forward integration and reducing import reliance. Participation in the PLI scheme bolsters growth prospects.

Management guidance for FY24/25

- Revenue Growth: 20% over the next 3 years driven by product portfolio expansion (geographical & therapeutic), increased penetration in regulated markets and CDMO/CMO ventures.
- Yearly revenue: will reach Rs.1000 cr by FY27.
- EBITDA margins: 28% - 30% conservative estimate over the next 3 years.

Financials

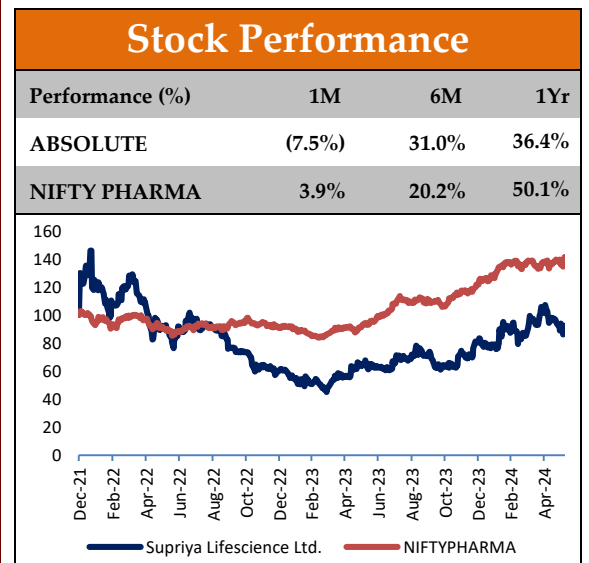
- SLL has reported a revenue growth of 11.3% YoY and 12.9% QoQ in Q4FY24 to Rs.158 Cr and a PAT growth of 23.3% QoQ to Rs. 37 Cr driven by diversified international footprints by increasing its penetration in regulated markets by new CDMO opportunities and establishing a strong market presence by its niche offerings.

Consol. (Rs.Cr)	FY22	FY23	FY24	FY25E	FY26E
Revenue	530	461	570	673	784
EBITDA	214	129	173	202	235
EBITDA Margin %	40.4%	28.0%	30.3%	30.0%	30.0%
PAT	152	90	119	134	159
EPS	18.9	11.2	14.8	16.7	19.8
PE	19.5	32.9	24.9	22.1	18.6
RoE	34.3%	13.6%	15.7%	15.1%	15.2%

Stock Data	
Market Cap (Rs. Mn)	29,705
Market Cap (\$ Mn)	356
Shares O/S (in Mn)	80
Avg. Volume (1 month)	267,578
52-Week Range (Rs.)	424 / 231

Shareholding Pattern	
Promoters	68.30%
FII's	5.37%
Institutions	5.30%
Others (incl. body corporate)	21.03%

Key Ratios	
Div Yield	0.16%
TTM PE	24.9x
ROE	15.7%
TTM EPS (Rs.)	14.8/-



- EBITDA of SLL improved by 1.8% YoY and 36.6% QoQ in Q4FY24 to Rs.56 Cr. EBITDA margin rose to 35.4% compared to 29.2% in Q3FY24 driven by strengthening backward and forward integration across different therapeutic segments and expansion and optimization of its product basket as well as increased penetration of its offerings into regulated markets.
- SLL has more than 20 products under development across existing and new therapeutic segments enlarging its offerings and received 3 CDMO contracts during the last 4 quarters ended Q4FY24 which are expected to contribute significantly to the topline in the coming years. Additionally, SLL is commercial launching 5 new products in the anaesthetic, anti-diabetic and anti-anxiety segment in Q3 FY25.

Key Business Highlights

- Supriya Lifescience Ltd.(SLL) is a public listed generic pharmaceutical company established in 1987, headquartered in Mumbai, India. The company is a manufacturer of Active pharmaceutical Ingredients and Finished dosage forms. It has a niche product basket with limited competition focused on diverse therapeutic segments such as antihistamine, analgesic, anaesthetic, decongestants, vitamins, anti – allergic & anti - asthmatics.
- SLL is also venturing into innovative therapeutics by launching Quickblue, which is a cutting-edge oral cancer detection kit and Gelheal, which is a protein-based crosslinked Hydrogel, designed to provide advanced wound care solutions for a variety of wounds and ulcers. SLL is also entering the whey protein place by manufacturing loproprotein which is a patented technology and SLL is an exclusive manufacturer for Plasma Nutrition for this product. SLL is also an exclusive vitamin B2 & food-grade material supplier to DSM Firmenich.
- SLL boasts a global reach (86 countries, 1200+ customers) with a focus on Asia, Europe, LatAm and North America. As a leading exporter in key therapeutic areas (anti-histamine, anesthetics, anti-asthma), it target strong growth in these regions over the next 2-3 years. Its clientele includes prominent global pharma companies like Syntec Do Brasil LTDA, American International Chemical Inc, Akum Drugs Ltd. and Mankind Pharma Ltd., among others.
- SLL has R&D, bottling, warehousing and production facilities across 47,000 sq.mtr. in Parshuram Lote, Ambarnath, Mumbai (in Maharashtra) with dedicated areas for different therapeutic segments. This concise sentence effectively highlights SLL's well-established manufacturing infrastructure and its commitment to serving various therapeutic areas.

Valuation

Currently, Supriya Lifesciences is trading at **Rs. 369**, implying a TTM PE / EBITDA multiple of 25x / 16x vs the average of its pharmaceutical peers of 36x / 26x. This suggests that SLL is undervalued. Given the management decision to solidify its presence in existing markets and foray in the CMO/CDMO space, present a long-term opportunity for top-line and bottom-line expansion. Furthermore, growing the product portfolio and enhancing manufacturing capabilities coupled with backward and forward integration improves the outlook substantially.

Therefore, considering the above, we assign a **BUY** rating for **Supriya Lifesciences** with a **target price** of **Rs. 456**, translating to an **upside** of **24%+**.

Risk & Concern

- **Product Concentration:** Top 5 products contribute a major portion of revenue. Delays in new product development/commercialization could impact growth.
- **Regulatory Risk:** Reliance on international markets necessitates navigating global regulatory hurdles. Adverse actions could limit growth.
- **Customer Concentration:** 48% of revenue from top 10 customers increases vulnerability to customer loss.
- **Competitive Landscape:** Focus on mature therapies (anti-histamines, analgesics/anesthetics) exposes SLL to a competitive environment.

Graphs & Charts

Figure 1: Net Sales Trend

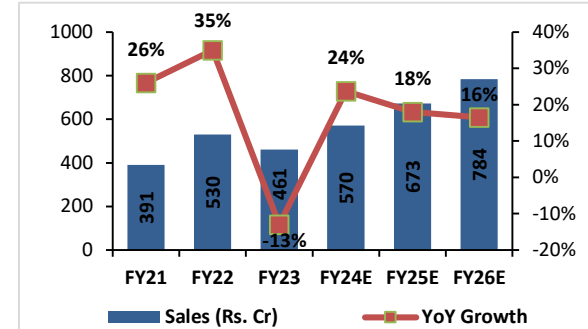


Figure 2: EBITDA & EBITDA Margin Trend

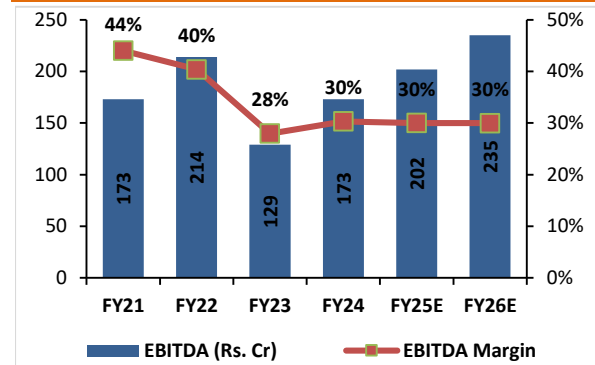


Figure 3: PAT Trend

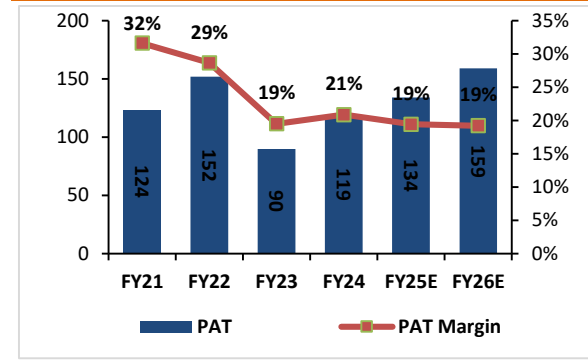
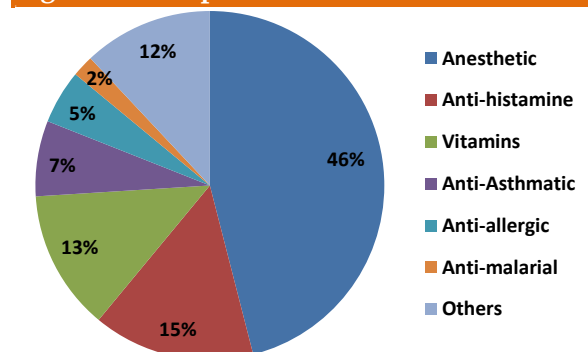


Figure 4: Therapeutic-wise Revenue (FY24)



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