

Price: 794

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 03-Apr-2025

Supriya Lifescience Limited has shown strong Q3 FY '25 performance, with a 33% revenue increase to INR186 crores, driven by high-margin niche products. The company excels in API manufacturing with a backward integrated model, covering key therapy areas. Exports rose to 85% of revenue, with LATAM contributing 21%. They aim for 20% growth, targeting INR1,000 crores by FY '27, focusing on new products and market expansion.

Sales		Profit & Loss		Profitability Matrix	
Current Year	671 Cr	Operating Profit(Year)	249 Cr	Operating Profit Margin	37.1 %
Previous Year	461 Cr	Operating Profit(Quarter)	66.0 Cr	EBITDA Margin	27.87 %
Current Quarter	186 Cr	PAT (Year)	119 Cr	Net Profit Margin	20.9 %
Previous Quarter	166 Cr	PAT (Quarter)	46.8 Cr	EPS	21.7
Revenue (QYoY)	140 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	36.6	Sales Growth	20.9 %	Sales Growth	12.05 %
PEG Ratio	1.48	PAT Growth	32.37 %	Sales Growth QYoY	32.86 %
EV/EBITDA	24.5	EPS Growth	46.62 %	PAT Growth	1.3 %
P/B	7.05	Dividend Yield	0.10	PAT Growth QYoY	57.05 %
Capital Allocation		Holdings		Leverage	
RoE	15.7 %	Promoter	68.3 %	Debt/Equity	0.01
RoA	13.7 %	FII	6.52 %	Debt	5.51 Cr
RoCE	22.2 %	DII	4.93 %	Market Cap	6387 Cr
RoIC	19.4 %	Public	20.2 %	Enterprise value	6308 Cr
		No of Shares	8.05 Cr	Cash Equivalents	84.3 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Supriya Lifescience Limited has demonstrated a robust performance in Q3 FY '25, with revenue from operations growing by 33% year-on-year to approximately INR186 crores. This growth is attributed to strong demand across their product portfolio and strategic focus on high-margin niche products, resulting in an exceptional EBITDA margin of 35.5% and a PAT margin of 25%. The company continues to lead in API manufacturing, specializing in differentiated value-added products with limited competition. Their fully backward integrated business model, covering key therapy areas such as anesthetics, anti-asthmatic, anti-histamine, decongestant, and anti-gout, provides a distinct advantage in ensuring supply chain security and cost efficiency.

The company is actively expanding its portfolio with new and critical molecules, strengthening its presence in regulated markets. They are on track to launch new products in therapeutic segments like anti-stimulants, anesthetics, anti-anxiety, and anti-diabetic to meet growing market demand. Exports contributed 85% of total revenue this quarter, up from 74% in the same period last year, reflecting increased penetration into regulated markets that command premium pricing. The LATAM region, in particular, has shown remarkable growth, contributing 21% of the revenue this quarter compared to 8% last year. Supriya Lifescience is also capitalizing on the China+1 strategy by launching products that reduce dependence on China, leveraging their new formulations and R&D facility in Ambernath.

Looking ahead, Supriya Lifescience remains confident in achieving a revenue growth guidance of 20% while maintaining strong margins. Their long-term goal of doubling revenue to INR1,000 crores by FY '27 is supported by the expansion of existing molecules in regulated markets and a robust pipeline of new products. The company plans to launch at least four new products annually, ensuring they remain at the forefront of API manufacturing innovation. The newly inaugurated Module E manufacturing block is expected to achieve peak revenue contribution by FY '27, further enhancing their operational capacity.

While the company has shown strong performance, there are areas for improvement. The focus on backward integration and penetration into regulated markets is crucial for maintaining margins. However, the company should continue to diversify its product offerings and explore untapped therapeutic segments to sustain growth. Additionally, while the LATAM region has shown significant growth, efforts should be made to increase market share in North America, which currently contributes only 4% to 5% of total revenue. By addressing these areas, Supriya Lifescience can further strengthen its market position and achieve its ambitious growth targets.

SUPRIYA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mankind Pharma	99808.89	51.62	19.71%	-5.26%	8.48%	-30.88%	-10.01%
Dr Reddy's Labs	96087.57	17.92	21.39%	4.27%	15.81%	11.83%	1.69%
Lupin	95664.66	33.35	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	90656.54	19.99	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	68861.73	19.38	11.53%	2.34%	8.53%	3.50%	-9.69%

Aspect	Commentary
Revenue	The company achieved a 33% increase in revenue, driven by high-margin niche products and strong demand across its portfolio. Exports rose to 85% of revenue, with significant growth in the LATAM region. The focus on new products and market expansion supports their target of INR1,000 crores by FY '27.
Profit & Loss	Operating profit and PAT showed robust growth, with margins reflecting efficient cost management and strategic focus on high-margin products. The company's backward integration and niche product strategy have contributed to maintaining strong profitability.
Profitability Matrix	The company exhibits strong profitability with an operating profit margin of 37.1% and a net profit margin of 20.9%. This is supported by a high EBITDA margin, indicating effective cost control and a focus on high-margin products.
Valuation Matrix	The valuation metrics, including a trailing P/E of 36.6 and a PEG ratio of 1.48, suggest the company is valued for growth. The EV/EBITDA of 24.5 and P/B of 7.05 reflect market confidence in its future earnings potential.
Growth (YoY)	Year-on-year growth is strong, with sales growth at 20.9% and PAT growth at 32.37%. The company has effectively leveraged its product portfolio and market expansion strategies to achieve significant growth in earnings per share.
Growth (QoQ)	Quarter-on-quarter growth shows a positive trend, with sales growth at 12.05% and PAT growth at 1.3%. The company continues to expand its market presence and product offerings, contributing to consistent growth.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 15.7% and RoCE of 22.2%. The focus on high-margin products and strategic market expansion supports strong returns on capital employed.
Holdings	Promoter holding is strong at 68.3%, indicating confidence in the company's future. Institutional investors hold a significant stake, reflecting market trust in the company's growth prospects and strategic direction.
Leverage	The company maintains a low debt-to-equity ratio of 0.01, indicating prudent financial management. With minimal debt and strong cash equivalents, the company is well-positioned to fund future growth initiatives.

Analyst viewpoint: Supriya Lifescience Limited has demonstrated impressive growth, with a robust 33% increase in revenue to INR 186 crores in Q3 FY '25, driven by a strategic focus on high-margin niche products. The company's strong quarterly performance is further supported by a positive quarter-on-quarter sales growth of 12.05%, displaying resilience and adaptability in a competitive market. The company's valuation metrics also stand out, with a trailing P/E of 36.6 and a PEG ratio of 1.48, underscoring market confidence in its growth trajectory. Supriya's well-executed capital allocation strategy, evidenced by a RoCE of 22.2% and a minimal debt-to-equity ratio of 0.01, ensures financial flexibility to support its ambitious market expansion plans. Their niche specialization in API manufacturing, bolstered by a fully backward integrated model, gives Supriya a unique position to outpace peers by securing supply chain efficiencies and enhancing product profitability.

Moreover, the export-centric approach yielding 85% of total revenue this quarter highlights Supriya's effective penetration into premium regulated markets, notably in the LATAM region which now contributes 21% of revenue compared to 8% the previous year. Such strategic initiatives align with their projections of achieving INR 1,000 crores by FY '27. While the company's focus on regulated markets is commendable, it is imperative that they continue diversifying their product offerings and penetrating untapped markets, such as North America, which could further bolster their market share and sustain long-term growth.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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