

SUPRIYA LIFESCIENCE LIMITED

Supriya Lifescience Limited was incorporated in March 2008 by Satish Waman Wagh. Company is one of the key Indian manufacturers and suppliers of active pharmaceutical ingredients (APIs). Supriya Lifescience Limited focus on research and development along with this company focus is on diverse therapeutic areas and niche products. Company has niche product offerings of 38 APIs focused on diverse therapeutic segments such as antihistamine, analgesic, anaesthetic, vitamin, anti-asthmatic and anti-allergic. Company export to 86 countries to 1296 customers including 346 distributors. Companies manufacturing plant located at Maharashtra, which is spread across 23806 sq. mt.

Positives: (a) (a) Backward integration of API business, lead to better margins and reduce dependency on import of raw material, 12 of existing products are backward integrated which contributes 67.1% of revenue. (b) Export contributes to 77.5% of FY2021 revenue, company export to 86 countries like Latin America, Europe, China and Cambodia etc. (c) Company has niche product offerings of 38 APIs focused on diverse therapeutic segments and company has filled have filed 14 active DMFs with USFDA and 8 active CEPs.

Investment concerns: (a) High customer concentration, Top-10 customers contributes to 47% of H1FY22 revenue, any loss of a customer can be a risk. (b) The company already has a high export market share in key APIs, it will be changing for the company to increase its market share further. (c) In the last 3 years, companies' gross margin and EBITDA margins have increased significantly, it will be difficult for the company to improve margins from these levels.

Outlook & Valuation: Based on FY2021 numbers, the IPO is priced at an EV/EBITDA of 11.2 times and price to earnings of 16.2 times at the upper price band of the IPO. Supriya Lifescience Limited focuses on research & development and having a diversified niche product portfolio of API's. Companies 77.5% of revenue comes from the Export market, companies' key market are USA, Europe, China and India. We believe that the company's new manufacturing unit and product launch will be growth drivers for the company in future. Hence, we are assigning a "SUBSCRIBE" recommendation to the Supriya Lifescience Limited IPO.

Key Financials

| Y/E March (₹ cr) | FY19 | FY20 | FY21 | H1FY22 |
|-------------------|-------|-------|-------|--------|
| Net Sales | 277.8 | 311.6 | 385.3 | 224.8 |
| % chg | - | 12 | 23.7 | - |
| Net Profit | 39.5 | 73 | 123.8 | 65.9 |
| % chg | - | 86 | 68.7 | - |
| EBITDA (%) | 26.2 | 35.1 | 46.2 | 43.9 |
| EPS (as stated) | 5.4 | 10.0 | 16.9 | 9.0 |
| P/E (x) | 50.9 | 27.3 | 16.2 | 15.2 |
| P/BV (x) | 21.3 | 13.4 | 7.4 | 6.0 |
| EV/EBITDA | 27.7 | 18.5 | 11.2 | 5.1 |
| EV/Sales | 7.3 | 6.5 | 5.2 | 2.2 |

Source: Company, Angel Research

SUBSCRIBE

Issue Open: Dec 16, 2021

Issue Close: Dec 20, 2021

Issue Details

Face Value: ₹2

Present Eq. Paid up Capital: ₹14.64 cr

Offer for Sale: ₹500 cr

Fresh issue: ₹200 cr

Post Eq. Paid up Capital: ₹16.09 cr

Issue size (amount): ₹700 cr

Price Band: 265 - ₹274

Lot Size: 54 shares and in multiple thereafter

Post-issue mkt. cap: * ₹2,139 cr - ** ₹2,205 cr

Promoters holding Pre-Issue: 99.26%

Promoters holding Post-Issue: 67.59%

*Calculated on lower price band

** Calculated on upper price band

Book Building

| | |
|-------------------|--------------|
| QIBs | 75% of issue |
| Non-Institutional | 15% of issue |
| Retail | 10% of issue |

Post Issue Shareholding Pattern

| | |
|-----------|-------|
| Promoters | 67.6% |
| Others | 32.4% |

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Company background

Supriya Lifescience Limited was incorporated in March 2008 by Satish Waman Wagh. Pre IPO promoter still holds 99.26% of the company. Company is one of the key Indian manufacturers and suppliers of active pharmaceutical ingredients (APIs) with focus on research and development along with this company focus is on diverse therapeutic areas and niche products.

Company has niche product offerings of 38 APIs focused on diverse therapeutic segments such as antihistamine, analgesic, anaesthetic, vitamin, anti-asthmatic and anti-allergic.

Company's products are registered with various international regulatory authorities such as USFDA, EDQM, etc. As of now, company have filed 14 active DMFs with USFDA and 8 active CEPs with EDQM, for their API products in different therapeutic areas.

Company consistently been the largest exporter of Chlorpheniramine Maleate and Ketamine Hydrochloride from India. They were among the largest exporters of Salbutamol Sulphate contributing to 31% of the API exports from India in FY 2021 in volume terms. Export contributes to 77.47% of FY2021 revenues, Company export to 86 countries to 1296 customers including 346 distributors.

Companies manufacturing plant located at Maharashtra, which is spread across 23,806 sq. mt. The company has 4 blocks of which 4th block recently commenced in May 2021.

Issue details

The IPO is made up of offer for sale of ₹500 Cr by promoter and fresh issue of ₹200 Cr, total issue size of ₹700 Cr

Pre & Post Shareholding

| Particular | (Pre-issue) | | (Post-issue) | |
|----------------|--------------|--------|--------------|--------|
| | No of shares | % | No of shares | % |
| Promoter | 4,74,58,070 | 99.26% | 5,43,94,215 | 67.58% |
| Promoter Group | 9,96,45,055 | 0.72% | 2,55,62,085 | 0.65% |
| Public | 13,08,323 | 0.02% | 5,26,500 | 31.76% |
| Total | 14,84,11,448 | 100.0% | 8,04,82,800 | 100.0% |

Source: Company, Angel Research

Objectives of the Offer

- Funding capital expenditure requirements of the company.
- Repayment certain borrowings.
- General Corporate Purposes.

Key Management Personnel

Satish Waman Wagh is the Promoter, Chairman and Managing Director of the company. He has been a director on the Board since incorporation. Apart from his association with the company, he is a director on the boards of Supriya Medi-Chem Pvt Ltd, Lote Industries Testing Laboratory Association and Sachin Industries Ltd.

Smita Satish Wagh is the Whole-time Director of the company. She has been a director on the Board since incorporation. Apart from her association with the company, she is a director on the boards of Supriya Medi-Chem Pvt Ltd.

Balasaheb Gulabrao Sawant is the Whole-time Director of the company. He was previously associated with companies such as USV Ltd, Encure Pharmaceuticals Ltd, Arch Pharmed Labs Ltd, Mylan Laboratories Ltd and Enaltec Labs Pvt Ltd.

Kedar Shankar Karmarkar is the Independent Director of the company. He was previously associated with Ciba-Geigy AG as a trainee and with the laboratory of Institut Fur Organische Chemie Der Universitat Basel as a research fellow. He was previously employed with Nicholas Piramal India Limited as an executive in the R&D department.

Shireesh Bhalchandra Ambhaikar is the Chief Executive Officer of the company. He joined the company on July 6, 2021.

Ashish Ramdas Nayak is the Chief Financial Officer of the company. He joined the company on August 5, 2019.

Shweta Shivdhari Singh is the Company Secretary and Compliance Officer of the company. She was appointed as the Company Secretary on August 26, 2019 and was appointed as the Compliance Officer on May 6, 2021.

Exhibit 1: Consolidated Profit & Loss Account

| Y/E March (₹ cr) | FY19 | FY20 | FY21 | H1FY22 |
|-------------------------------|-------------|-------------|-------------|---------------|
| Total operating income | 277.8 | 311.6 | 385.3 | 224.8 |
| <i>% chg</i> | - | 12 | 23.7 | - |
| Total Expenditure | 213 | 213 | 218 | 131 |
| Raw Material | 147 | 139 | 128 | 83 |
| Employee Benefit Expense | 19 | 26 | 33 | 18 |
| Other Expenses | 47 | 49 | 57 | 30 |
| EBITDA | 65 | 99 | 167 | 94 |
| <i>% chg</i> | - | 52 | 70 | - |
| <i>(% of Net Sales)</i> | 23.4 | 31.6 | 43.4 | 41.6 |
| Depreciation & amortisation | 5.4 | 6.3 | 6.6 | 4.9 |
| EBIT | 59.5 | 92.2 | 160.8 | 88.6 |
| <i>% chg</i> | - | 55 | 74 | - |
| <i>(% of Net Sales)</i> | 21.4 | 29.6 | 41.7 | 39.4 |
| Interest & other Charges | 10 | 7 | 4 | 2 |
| Other Income | 8.0 | 11.0 | 10.8 | 5.2 |
| <i>(% of Sales)</i> | 2.9 | 3.5 | 2.8 | 2.3 |
| PBT | 57.1 | 96.2 | 167.3 | 91.6 |
| <i>(% of Net Sales)</i> | 20.6 | 30.9 | 43.4 | 40.7 |
| Tax | 17.6 | 22.8 | 43.5 | 25.7 |
| PAT (reported) | 39.5 | 73.4 | 123.8 | 65.9 |
| <i>% chg</i> | - | 85.8 | 68.7 | |
| <i>(% of Net Sales)</i> | 14.2 | 23.6 | 32.1 | 29.3 |
| EPS (as stated) | 5.39 | 10.0 | 16.9 | 9.0 |
| <i>% chg</i> | - | 86.2 | 68.7 | |

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

| Y/E March (₹ cr) | FY19 | FY20 | FY21 | H1FY22 |
|-----------------------------|------------|------------|------------|------------|
| SOURCES OF FUNDS | | | | |
| Equity Share Capital | 14.6 | 14.6 | 14.6 | 14.6 |
| Other equity | 79 | 135 | 254 | 320 |
| Shareholders Funds | 94 | 149 | 269 | 335 |
| Total Loans | 24 | 31 | 29 | 14 |
| Other liabilities | 0.7 | 1.0 | 1.3 | 2.2 |
| Total Liabilities | 118 | 181 | 300 | 351 |
| APPLICATION OF FUNDS | | | | |
| Net Block | 120 | 138 | 179 | 183 |
| Current Assets | 133 | 198 | 266 | 320 |
| Sundry Debtors | 60 | 52 | 74 | 84 |
| Cash & Bank Balance | 2 | 2 | 43 | 79 |
| Other Assets | 28 | 93 | 75 | 67 |
| Current liabilities | 135 | 155 | 146 | 153 |
| Net Current Assets | -2 | 43 | 120 | 167 |
| Other Non Current Asset | 0.1 | 0.2 | 0.5 | 0.5 |
| Total Assets | 118 | 181 | 300 | 351 |

Source: Company, Angel Research

Exhibit 3: Consolidated Cash Flow Statement

| Y/E March (₹ cr) | FY19 | FY20 | FY21 | H1FY22 |
|------------------------------------|---------------|---------------|---------------|--------------|
| Restated Profit before tax | 57.1 | 96.2 | 167.3 | 91.6 |
| Depreciation | 5.4 | 6.3 | 6.6 | 4.9 |
| Change in Working Capital | (17.2) | (1.5) | (44.5) | (26.5) |
| Interest Expense | 9.9 | 6.8 | 4.0 | 2.0 |
| Direct Tax Paid | (14.0) | (27.0) | (29.9) | (18.3) |
| Others | 6.9 | 3.8 | (1.4) | (1.1) |
| Cash Flow from Operations | 48.6 | 116.0 | 79.9 | 15.8 |
| (Inc.)/ Dec. in Fixed Assets | 4.8 | (24.5) | (47.4) | (9.6) |
| Cash Flow from Investing | 4.8 | (24.5) | (47.4) | (9.6) |
| Proceeds from Long Term Borrowing | (27.1) | (5.7) | (2.3) | - |
| Proceeds from Short Term Borrowing | (13.3) | (1.8) | (9.6) | 0.9 |
| Interest paid | 0.0 | (9.2) | (4.0) | 1.1 |
| Others | - | (17.6) | (3.9) | - |
| Cash Flow from Financing | (49.6) | (29.1) | (14.7) | 1.8 |
| Inc./(Dec.) in Cash | 3.7 | 62.3 | 17.5 | 8.0 |
| Opening Cash balances | 8.6 | 12.3 | 74.7 | 92.2 |
| Closing Cash balances | 12.3 | 74.7 | 92.2 | 100.2 |

Source: Company, Angel Research

Exhibit 4: Key Ratios

| Y/E March | FY19 | FY20 | FY21 | H1FY22 |
|------------------------------|------|-------|-------|--------|
| Valuation Ratio (x) | | | | |
| P/E (on FDEPS) | 50.9 | 27.3 | 16.2 | 15.2 |
| P/CEPS | 44.0 | 25.8 | 15.3 | 13.3 |
| P/BV | 21.3 | 13.4 | 7.4 | 6.0 |
| EV/Sales | 7.3 | 6.5 | 5.2 | 4.5 |
| EV/EBITDA | 27.7 | 18.5 | 11.2 | 10.2 |
| Per Share Data (₹) | | | | |
| EPS (fully diluted) | 5.39 | 10.03 | 16.92 | 9.01 |
| Cash EPS | 6.2 | 10.6 | 17.9 | 10.3 |
| Book Value | 12.8 | 20.4 | 36.8 | 45.9 |
| DPS | - | - | - | - |
| Number of share | 7.30 | 7.30 | 7.30 | 7.30 |
| Returns (%) | | | | |
| RONW | 42% | 49% | 46% | 39% |
| ROCE | 57% | 57% | 57% | 53% |
| Turnover ratios (x) | | | | |
| Asset Turnover (net) | 3.3 | 3.2 | 3.9 | 3.0 |
| Receivables (days) | 78.7 | 61.4 | 69.8 | 68.4 |
| Inventory Days | 14.4 | 23.2 | 33.2 | 33.7 |
| Payables (days) | 75.6 | 84.4 | 85.4 | 78.0 |
| Working capital cycle (days) | 17.5 | 0.1 | 17.6 | 24.1 |

Source: Company, Angel Research

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