Supriya Lifescience Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Verdict

Watch — A critical material question remains open regarding the severe decoupling of reported profits from operational cash flow, driven by an aggressive 63.33% explosion in trade receivables to ₹219.45 Cr that significantly outpaces top-line growth and points to potentially relaxed credit terms to sustain factory volumes.

Monitorable	Now	Watch for
Trade Receivables	₹219.45 Cr	> ₹250.00 Cr
Total Debt (Leverage)	₹0.00 Cr	> ₹50.00 Cr
CFO-to-EBITDA Conversion Ratio	63.17%	< 55.00%
Core Plant Capacity Utilization	74.00%	< 65.00%

Supriya Lifescience Ltd is an export-dependent, backward-integrated life sciences company specializing in niche active pharmaceutical ingredients (APIs), presenting a management narrative built around a strategic pivot toward advanced formulations and custom manufacturing (CDMO). While leadership presents an account of highly compliant, self-funded capacity scaling, the underlying financial metrics indicate that current execution relies heavily on aggressive credit extension to sustain factory throughput. In absolute terms, operational revenue grew by 18.86% to ₹827.88 Cr, powered by a 12.30% expansion in international export sales to ₹726.18 Cr, which now constitutes 87.71% of total turnover. This top-line momentum trickled down to a reported profit after tax (PAT) of ₹209.12 Cr, achieved while preserving a debt-free capital structure with zero long-term or short-term borrowings. However, evaluating these metrics requires looking past the clean surface numbers to assess the deteriorating quality of cash conversion and heightened insider value extraction.

The core tension in this report lies between management's claims of secular, demand-led growth and the reality of a highly capitalized, cash-absorbent balance sheet that favors insiders over minority shareholders. While leadership celebrates the operationalization of its Ambernath formulation block and a clean USFDA inspection at its 1,050 KL Lote complex, the numbers reveal that volume scaling required an unsustainable loosening of credit lines. Trade receivables exploded by 63.33% from ₹134.36 Cr to ₹219.45 Cr, dramatically outstripping revenue growth by 44.47% and locking up ₹8.51 Cr in additional uncollected assets. This aggressive year-end credit scaling is coupled with a multi-year pattern of excessive insider extraction. Total Key Managerial Personnel (KMP) remuneration remained highly elevated at ₹27.53 Cr, absorbing 9.08% of consolidated operating EBITDA—far exceeding our analytical benchmark of 1.3% to 2.6%—and consuming 13.16% of total PAT. Furthermore, while the balance sheet reflects a mechanical shift of legacy advances against property from ₹56.19 Cr down to ₹11.34 Cr as projects moved into the gross block, management's report maintained complete silence on this historical capital allocation issue, quietly ignoring prior commitments to transparently resolve it.

A balanced evaluation of the year reveals specific operational milestones offset by structural cost inflation and accounting optimizations that dilute corporate earnings quality. On a positive note, the company successfully minimized regulatory risks, achieving a 74.00% capacity utilization rate across its primary facilities while receiving an active Establishment Inspection Report (EIR) with only one minor compliance observation. Conversely, internal cost controls deteriorated significantly, as plant repairs and maintenance jumped 61.60% to ₹34.84 Cr and laboratory expenses expanded 68.70% to ₹12.83 Cr, outrunning revenue growth and signaling rising compliance overheads. Earnings quality was further compromised by an increased dependence on non-

core items, with foreign currency fluctuation gains more than doubling to ₹14.57 Cr (1.76% of total turnover) and a 34.85% spike in inventory to ₹159.60 Cr, which absorbed ₹41.25 Cr of operational cash. Corporate governance indicators also worsened on a multi-year horizon: mandatory corporate social responsibility outlays to the promoter-controlled Satish Wagh Foundation rose to ₹5.09 Cr, with management capitalizing ₹1.51 Cr of excess spend as a prepaid asset to artificially optimize pre-tax profits, while a legacy internal control gap involving ₹0.602 Cr of motor vehicles held outside the company's name remained unrectified for a third consecutive year.

Our monitorable stance will remain firmly in place until management demonstrates that its expanded capacity can generate high-velocity, cash-backed revenue without relying on loose credit lines or insider-centric capital distribution. We would consider upgrading the business to an investable status if trade receivables contract below the ₹180.00 Cr threshold or drop in alignment with top-line growth, alongside a structural reduction in KMP remuneration back toward 3.00% of EBITDA. Legal rectification of the ₹0.602 Cr vehicle asset block and independent benchmarking of the 88.20% lease rental escalation paid to the Chairman are also required to restore governance confidence. On the other hand, if working capital stress intensifies, pushing trade receivables past ₹250.00 Cr, or if cash conversion degrades such that the CFO-to-EBITDA ratio drops below 55.00%, it will confirm systemic channel stuffing and inefficient capital hoarding, triggering an immediate downgrade to an avoid recommendation.

1. Business overview

Supriya Lifescience Ltd is an integrated life sciences company specializing in the development and manufacture of Active Pharmaceutical Ingredients (APIs), advanced intermediates, and specialized finished dosage formulations (FDF). The company generates its revenue primarily through the synthesis and international export of niche molecules within targeted therapeutic blocks, operating with an asset turnover ratio of 1.47x.

The company exhibits high customer concentration, with its top 10 customers accounting for 52% of total operational revenue, translating to an absolute value of ₹430.51 Cr. Concentration metrics for suppliers are not disclosed in the annual report.

Segment performance

The company classifies its operational revenue by therapeutic focus areas derived from its core API and intermediate portfolios:

Segment	Revenue (□ Cr)	% of total	YoY %	Margin/ Result	What drives it
Anaesthetic	447.07	54%	Not Disclosed	Not Disclosed	35 MT sold; commercialization of liquid anaesthetic; contract manufacturing volumes.
Vitamins	99.35	12%	Not Disclosed	Not Disclosed	102 MT supplied; commercial volume scaling for DSM (16 MT); global nutraceutical demand.
Anti-Histamine	74.51	9%	Not Disclosed	Not Disclosed	219 MT of Chlorpheniramine Maleate sold; veterinary applications; Far East customer seeding.
Others	74.51	9%	Not Disclosed	Not Disclosed	Custom intermediate chemistry and lower-volume trial pipelines across emerging therapies.
Anti-Asthmatic	49.67	6%	Not Disclosed	Not Disclosed	65 MT sold; secular COPD prevalence trends; rising traction for ANDA and CEP grades.
Analgesic	33.12	4%	Not Disclosed	Not Disclosed	Core synthesis applications; ongoing market seedings within regulated US and EU boundaries.
Anti-Allergic	33.12	4%	Not Disclosed	Not Disclosed	145 MT aggregate volume sold across sub-lines; OTC insomnia demand; structural competition.
Anti-Hypertensive	16.56	2%	Not Disclosed	Not Disclosed	12.5 MT total volume sold; regulatory alternate qualifications across Russia, CIS, and Korea.

Geographical presence

The business model is highly export-dependent, routing products across various global regulatory jurisdictions:

Geography	Revenue (□ Cr)	% of total	Direction	Exposure/Risk
Europe	331.16	40%	Increasing	High compliance overheads; stringent regulatory audits; Nitrosamine impurity scrutiny.
Asia	273.21	33%	Stable	Direct exposure to aggressive price competition from Chinese chemical manufacturers.
Latin America	165.58	20%	Increasing	Local currency translation volatility; evolving anvisa and cofepris compliance shifts.
Others	33.12	4%	Stable	Extended transit timelines; maritime logistics disruptions; freight cost spikes.
North America	24.84	3%	Nascent	Protracted USFDA ANDA approval timelines; intensive generic price erosion pressures.

Operational portfolio & structure

- **Cost Structure and Its Drivers:** The company's cost base is highly sensitive to price fluctuations in key starting materials (KSMs), basic chemical reagents, and crude-linked industrial solvents. To hedge against this volatility, management relies on vertical integration, with backward-integrated products generating 76% of total revenue across 15 distinct internal processes. Structural cost deflators include compressing select manufacturing sequences from five stages down to three and utilizing closed-loop recovery systems for high-cost inputs like N-Diisopropylamine and Lithium Carbonate.
- **Industry Position and Share:** The company maintains a global supply presence across 120+ countries, servicing an active base of over 1,500 clients. It holds established global scale advantages in older, niche therapeutic lines such as Chlorpheniramine Maleate and core anaesthetic bulk drugs. While explicit percentage figures for total global market share are omitted, its competitive position is supported by a

portfolio of 21 US Drug Master Files (DMFs), 11 Certificates of Suitability (CEPs), and over 50 individual international registrations.

- **Capacity and Utilisation:** Manufacturing operations are anchored by a 12-acre production complex at Lote Parshuram comprising five dedicated synthesis blocks, achieving an aggregate reactor capacity of 1,050 KL. The facility records a capacity utilization rate of 74% on a normalized production capacity of 100 MT per month. This output is supported by past capacity upgrades via the Module E block, which expanded baseline installation capabilities from 597 KLPD to 932 KLPD.
- **Expansion, Capex and Projects:** Capital expenditure allocation for the year reached □152 Cr, primarily utilized to scale up the Ambernath industrial site for advanced formulations and commercial contract manufacturing. Planning has been initiated for two additional synthesis blocks at the primary Lote facility to absorb incremental volume mandates. Furthermore, the company has secured necessary environmental and statutory clearances for its newly acquired industrial site in Isambe, Patalganga, with phased civil construction scheduled to break ground in FY27.
- **Acquisitions or Divestments:** No material corporate acquisitions, divestments, or structural joint-venture carve-outs were executed during the FY26 reporting cycle. Strategic deployment remains focused on internal asset creation, using its existing land bank to drive organic expansion rather than pursuing external corporate M&A.
- **Order Book and Demand Visibility:** Quantitative order book values are not disclosed; however, qualitative demand visibility is supported by a key CMO contract that has transitioned to commercial execution with contractually committed volumes spanning the next decade. Intermediate demand insulation is provided by an active order pipeline for a new cardiovascular molecule commercialized in Q3, continuous OTC segment volume seeding in North America, and steady off-take requirements for its core ADHD and liquid anaesthetic portfolios.
- **Growth Drivers:** Near-term top-line progression is driven by the structural transformation of the business from a transactional bulk API seller into an advanced CDMO partner for multinational pharmaceutical innovators. Growth is further supported by the forward integration of its Ambernath platform, which currently houses a pipeline of 30 differentiated finished dosage forms (FDF) across oral solids and inhalation liquids. Long-term high-margin options are reinforced by proprietary research investments, such as a process patent application for its novel formulation of a Semaglutide tablet.

Pharmaceutical sector dynamics

- **Supply Chain Positioning:** Supriya Lifescience operates primarily as a manufacturer of bulk active ingredients (APIs), a sector traditionally exposed to cyclical commodity economics, intensive working capital requirements, and limited near-term pricing power. To escape this structure, the company is executing a corporate pivot toward custom synthesis (CDMO/CRAMS) and forward-integrated finished dosages. The operationalization of its Ambernath research and formulation facility marks a structural shift away from bulk chemical processing toward higher-margin oral solids, sterile injections, and liquid inhalation products.
- **Exclusivity Profiles & Revenue Sustainability:** Corporate disclosures indicate that current growth does not rely on short-term generic exclusivities, single-product Para IV first-to-file wins, or temporary regulatory windfalls in regulated jurisdictions. Consequently, the revenue base is insulated from the steep fiscal cliffs and sharp margin contractions typically observed when short-term regulatory exclusivity periods expire. Top-line expansion depends instead on continuous multi-year customer onboarding and secular volume scaling.

2. Management commentary & outlook

- **Strategic Review & Operational Performance:** Corporate leadership characterizes FY26 as a pivotal transition phase, delivering peak annual revenues of □827.90 Cr and operational profit milestones despite

distinct internal and external bottlenecks. The company experienced early-year localized volume constraints stemming from planned maintenance shutdowns and engineered debottlenecking operations at the primary Lote synthesis complex. Management reports that full operational momentum was recovered in the latter half of the fiscal year, culminating in record quarterly performance during Q4 as new capacities stabilized.

- **Operational Variables under Management Control:** Management focused internal resources on maximizing manufacturing efficiencies via a "First-Time-Right" (FTR) validation model for all newly introduced API technology transfers. This approach led to process patent filings for cost-efficient synthetic routes for Lisdexamfetamine Dimesylate and Ibuprofen Picanol, alongside structural intermediate yield improvements for Cetirizine Dihydrochloride.
- **Digital Infrastructure Architecture:** Internal governance was enhanced through the deployment of TrackWise Digital, an electronic Quality Management System (eQMS) designed to enforce data integrity and international audit readiness. Infrastructure modernization steps included migrating its core Microsoft Dynamics 365 ERP framework and domain server systems over to cloud architectures (AWS), with a full corporate rollout of SAP scheduled for completion by the start of FY28.
- **Regulatory & Quality Asset Management:** Executive focus on compliance mitigation was demonstrated during an unannounced USFDA inspection at the Lote site in February 2026, which concluded with a single minor observation that was immediately addressed to secure the Establishment Inspection Report (EIR).
- **Macroeconomic Variables Outside Management Control:** Management highlighted persistent external pressures from ongoing geopolitical conflicts, which caused global logistics disruptions, maritime container shortages, and extended international freight timelines. Profitability optimization was complicated by intense price volatility across basic raw materials, crude oil derivatives, and key industrial solvents. Leadership noted that international growth velocity remains tethered to unpredictable, non-linear regulatory approval cycles and protracted customer qualification timelines across highly regulated western jurisdictions.
- **Outlook, Targets, and Financial Strategy:** The primary near-term operational milestone targeted by management is cross-cutting the ₹1,000 Cr annualized corporate revenue threshold during FY27, while sustaining its historical EBITDA margin profile through optimized product mixes. Long-term growth targets rely on introducing 3–4 new niche APIs and 10–15 new formulation lines annually, alongside scaling up the commercial production of its 30 pipeline finished dosage forms. Capital deployment remains strictly demand-led, with management prioritizing capacity additions only when backed by clear long-term customer commitments. The fiscal expansion of ₹152 Cr was entirely self-funded via internal cash flow generation, preserving a zero-debt capital structure. Leadership emphasizes that maintaining a debt-free balance sheet provides the long-term financial flexibility required to execute multi-year infrastructure expansions (e.g., Patalganga) without exposing minority shareholders to structural gearing risks.
- **Capital Allocation Trends (Prior vs. Current Year):** The financial year under review shows a clear stabilization in capital allocation priorities following an aggressive asset-expansion phase. Total capital deployment for fixed assets moderated sharply to ₹152 Cr in FY26, down from the peak investment of ₹845.30 Cr recorded in FY25. This indicates a strategic shift from heavy civil asset creation (such as the construction of Module E) to optimization, internal technology transfers, and incremental debottlenecking across the Ambernath and Lote facilities. Following the prior year’s 614% explosion in work-in-progress (WIP) inventory, management's commentary shifted toward operationalizing new capacities. The current focus centers on clearing manufacturing bottlenecks and converting accumulated intermediate stocks into commercial shipments, aimed at improving asset turnover from its current 1.47x baseline. The company continues to prioritize organic cash generation over debt funding. By utilizing internal cash reserves to fund its ₹152 Cr capex program, the company maintained its zero-debt status, protecting its interest coverage profile against rising macro credit costs.

Topic	What management actually said	Their words	Number or timeline given?
Vision and strategy	Management is engineering a deliberate structural pivot to de-risk its top-line from generic commodity cycles by transitioning from an API supplier into an integrated life sciences provider across APIs, complex CMO/CDMO pipelines, and finished dosage formulations.	"Reduce dependence on individual products and markets, expand participation in regulated geographies and create additional avenues for value creation."	—
Growth plans and projects	Growth is driven by rolling out high-margin molecules in complex niches, scaling the newly commercialised Ambernath formulation block, and commencing phased development at the Patalganga (Isambe) asset to capture incremental generic demand.	"Introduce additional products across the anaesthetics and ADHD segments, aligned with our strategy of adding 3-4 products every year."	"Adding 3-4 products every year"; phased development at Patalganga "planned to commence in FY27."
Joint ventures and partnerships	The corporate strategy is migrating toward long-term integrated alliances, highlighted by ongoing technical collaborations for a novel combination product with an innovator and GLP-1 supply contracts.	"Discussing a novel combination product with an innovator partner."	—
Technology, automation and digitalisation	Operations are being systematic-ally modernised through cloud migration, automated process controls in production blocks to reduce quality variations, and a transition to next-generation SAP architecture.	"Deployment targeted for completion by the beginning of FY 2027-28."	"Beginning of FY 2027-28" for full SAP deployment.
Demand environment	Export demand remains robust, particularly in regulated Western European corridors and Latin American jurisdictions, driven by therapeutic volume pick-up in the core anaesthetic franchise and newer portfolios.	"ADHD portfolio witnessed encouraging demand across Europe and LATAM"	—
Raw material and input costs	Gross margins faced sequential headwinds from pricing volatility in crude oil derivatives and solvent lines, which management insulated against by relying on its backward-integrated manufacturing capabilities.	"Volatility in crude and solvent prices added to operating pressures later."	"76% of revenue" derived from backward-integrated products.
Labour, manpower and talent	Human capital investments are being directed toward high-end scientific and technical personnel to execute the forward integration into finished dosages and complex multi-step synthetic chemistries.	"Continue to invest in specialised talent, workplace safety, employee development and engagement."	"90 Scientists driving API and formulations process development"; "1,000 Employees at the site" for Lote Ratnagiri.
Industry outlook	The global pharmaceutical manufacturing environment is structurally volatile, defined by supply chain choke points, inflationary base costs, and intensifying regulatory scrutiny on specific chemical impurities.	"External environment is expected to remain dynamic amid geopolitical uncertainties, inflationary pressures, and evolving trade dynamics."	—

Topic	What management actually said	Their words	Number or timeline given?
Company outlook and guidance	Management provides explicit corporate guidance, reconfirming its target to hit its near-term top-line milestone while preserving core operational profitability profiles.	"Committed to achieving the □1,000 crore revenue milestone in FY 2026-27, while maintaining a healthy EBITDA margin."	"□1,000 crore revenue milestone in FY 2026-27".
Challenges and headwinds	Operational throughput was negatively impacted in the early half of the fiscal year due to scheduled plant shutdowns for debottlenecking, which back-ended sales volume execution into a period of high macroeconomic volatility.	"Planned maintenance and debottlenecking at Lote affected production in the early months, while geopolitical events, supply-chain disruptions and volatility in crude and solvent prices added to operating pressures later."	—
Opportunities	The primary margin-expansion opportunity lies in moving up the value chain via formulation R&D—evidenced by patent filings for non-infringing processes—and high-predictability contract manufacturing.	"One CMO project has moved into the commercial phase with committed volumes for the next decade"	"Next decade" volume commitment.
Order book and execution	Volume execution capabilities recovered strongly by the final quarter, achieving record transactional velocity, supported by significant new customer acquisitions across core international regulatory jurisdictions.	"One CMO project has entered the commercial phase with committed production volumes extending over the next decade"	"Extending over the next decade"; "7–8 customers" added in the US, "5–6 customers" in Europe.

- **Asymmetry in Corporate Precision:** A deep comparative analysis of management's disclosures reveals a stark contrast between highly quantifiable operational milestones and ambiguous strategic timelines. Management provides explicit parameters for core manufacturing performance—such as the target of adding "3-4 products every year," the deployment of "90 Scientists," and the definitive completion of the SAP enterprise platform by "the beginning of FY 2027-28." However, when detailing large-scale capital deployments like the newly acquired Patalganga (Isambe) site, management retreats into non-committal language, stating only that phased development is "planned to commence in FY27," providing no specific metrics on peak capacity or total capital expenditure.
- **Macroeconomic Framing and Margin Insulation:** Management strategically frames external systemic headwinds—including crude oil derivative fluctuations, freight logjams, and intense pricing pressure from Chinese generic manufacturers—not as prospective vulnerabilities, but as structural validations of their business model. By demonstrating that "Backward-integrated products accounted for 76% of revenue," the commentary positions their cost structure as an insulated asset. This positioning signals to buy-side analysts that gross margin resilience is driven by internal process chemistry and backward integration, rather than external market pricing tailwinds.
- **Strategic Omissions and Capital Allocation Silence:** The management narrative deliberately avoids discussing past capital allocation concerns highlighted in previous forensic reviews. While management details the operational metrics of their core manufacturing footprints—noting a "74% capacity utilisation" rate at the Lote facility and the commercial scale-up of the Ambernath block—the text completely excludes any mention of non-core capital deployment. There is total silence regarding the status, recovery, or strategic rationale behind the substantial capital tied up in real estate advances ("Advance against property"). This omission indicates that while management is operationally focused on execution, it remains selectively non-transparent about resolving balance-sheet capital allocation anomalies.

What they said last year (FY25)	What happened in the current period (FY26)	Verdict
Target communicated over prior periods to achieve a □1,000 Cr revenue milestone by FY27.	Reconfirmed that the forward runway remains fully intact, stating the milestone "is now within sight."	**Delivered**
Flagged risks regarding stalled capital work-in-progress (CWIP) at the Ambernath facility.	Successfully operationalised and "Commercialised CMO facility at Ambernath," moving it into active commercial production.	**Delivered**
Commissioned the Module E block to expand structural capacity to 932 KLPD.	Fully integrated Module E, driving total corporate reactor capacity to 1,050 KL while achieving a 74% capacity utilisation rate.	**Delivered**
Projected structural resolution or reduction of the extensive non-core capital locked up in real estate property advances.	The management commentary, executive messages, and operational reports maintain complete silence on property advances.	**Not addressed**

- **Management Tone Verdict:** The communication strategy is highly confident and operationally disciplined, yet selectively evasive. Management dwells extensively on concrete, highly favorable audit and contract parameters—such as the unannounced USFDA inspection of the Lote facility concluding with just "one minor observation," the commercialization of an inaugural CMO project with a "committed production volume extending over the next decade," and the successful expansion into Western Europe (now representing 40% of revenues). However, this promotional transparency is paired with a defensive avoidance of structural capital allocation critiques. Stated targets for forward revenue milestones and enterprise software migrations carry exact timelines, but historical balance sheet inefficiencies and non-core real estate commitments are completely ignored, reflecting a management team that is highly competent in manufacturing execution but guarded regarding minority shareholder capital discipline.

3. Financial analysis

3.1 Financial statements

3.2 Financial analysis summary

- **Revenue** from operations grew by 18.86% to 827.875 Cr, primarily driven by a 12.3% increase in Export Sales which now account for 87.71% of the top line (726.183 Cr). However, this growth is significantly decoupled from CFO health, as Trade Receivables surged by 63.33% to 219.448 Cr, indicating either aggressive year-end credit extension or collection inefficiencies, especially since 98.7% of receivables are outstanding for less than 6 months.
- The quality of **Revenue** is increasingly sensitive to non-core items, with Foreign Currency Fluctuation Gains more than doubling to 14.565 Cr, representing 1.76% of total turnover. This reliance on currency volatility is mirrored on the Balance Sheet by high Export Debtors of 151.459 Cr, making future PAT vulnerable to INR appreciation against the USD.
- Operating margins faced pressure from a 61.6% spike in **Repairs and Maintenance (Plant)** to 34.837 Cr and a 68.7% increase in Laboratory Expense to 12.832 Cr. While Revenue growth was 18.86%, these manufacturing overheads grew much faster, suggesting a catch-up in deferred maintenance or rising costs of quality compliance for global markets. Furthermore, Stores and Spares Consumed jumped 52% to 14.368 Cr, heavily correlating with higher plant repairs, while Legal and Professional Fees expanded to 8.237 Cr due to elevated regulatory filing overheads.
- **Inventory** levels expanded by 34.85% to 159.597 Cr, significantly outpacing Revenue growth. The 47.2% jump in Finished Goods to 27.599 Cr and 36% rise in Raw Materials to 95.630 Cr suggests strategic stockpiling for new launches or a buildup of unsold stock, which, when combined with surging receivables, indicates a heavy Working Capital drag on liquidity.

- The company maintains a highly robust **Balance Sheet** with zero Long-term Borrowings and zero Short-term Borrowings. This debt-free status is a core strength, leaving the 0.501 Cr Finance Cost purely as an accounting charge for Lease Liabilities of 5.435 Cr under Ind AS 116.
- **Capitalization** of assets is progressing, with Advance against property reducing from 56.190 Cr to 11.341 Cr as projects moved into the Gross Block. However, 4.442 Cr of CWIP has been aging for 1-2 years at the Lote site, indicating minor execution delays in specific expansion components.
- **Other Current Assets** contain 25.093 Cr in government balances, representing "dead" Working Capital typical of exporters awaiting GST/tax refunds. Simultaneously, Advance to Suppliers jumped 82% to 16.986 Cr, reflecting a shift toward upfront payments to secure raw materials in a volatile supply chain environment and further draining short-term liquidity.
- **Other Current Liabilities** decreased from 3.176 Cr to 1.262 Cr, indicating active short-term settlements, while Statutory Liabilities (including TDS and PF) remained flat and controlled at 1.834 Cr.
- **Related Party Transactions** show high promoter involvement, with KMP Remuneration of 27.528 Cr consuming 13.1% of the year's PAT of 209.12 Cr. Furthermore, CSR Expense paid to the promoter-controlled Satish Wagh Foundation more than doubled to 5.092 Cr, and Lease Rentals to the Chairman rose 88% to 1.073 Cr.
- **Accounting Policies** reveal an aggressive treatment of CSR, where 1.508 Cr of "Excess CSR Spend" was capitalized as a Prepaid Asset rather than being expensed, which slightly inflates the current year's PAT by approximately 0.7%. Additionally, the Motor Car block includes 0.602 Cr of assets not held in the company's name, representing a persistent internal control weakness.
- The effective tax rate of 23.91% is lower than the statutory 25.17%, benefiting from **13.604 Cr** in export-related incentives and non-taxable income buckets. However, Contingent Liabilities grew 138% to 8.805 Cr, primarily due to increased Bank Guarantees for operational obligations.
- **Earnings Quality** was impacted by an Exceptional Item of 0.458 Cr relating to the "New Labour Codes" for gratuity and leave encashment. While non-recurring, this, along with a 20.6% rise in Employee Benefit Expense to 97.138 Cr, signals structural inflation in the cost of specialized pharmaceutical talent.
- The dominant financial theme of the year is **aggressive top-line scaling funded by significant cash absorption into working capital**. While the company has maintained an expansionary Revenue trajectory (+18.86%) and preserved its pristine debt-free status, the massive 63.33% explosion in Trade Receivables and 34.85% expansion in Inventory demonstrate that growth is currently being achieved via relaxed credit lines and inventory accumulation, resulting in poor CFO conversion and sub-optimal short-term capital efficiency.

3.3 Contingent liabilities & commitments

The corporate annual report details specific legal, tax, and banking obligations outside the primary balance sheet statement:

Item (note's own caption)	Current yr	Prior yr	Change	What it means
Bank Guarantees	7.983 Cr	3.343 Cr	+4.640 Cr	Active operational and export performance bonds backed by current assets.
Service Tax Dispute	0.655 Cr	0.655 Cr	0.000 Cr	Persistent tax litigation under adjudication with the Customs, Excise and Service Tax Appellate Tribunal.
Customs Duty Dispute (MEIS)	0.167 Cr	0.167 Cr	0.000 Cr	Dispute over export incentives pending resolution before the Joint Commissioner of Customs.
Capital Commitments	0.00 Cr	0.00 Cr	0.000 Cr	No material unexecuted capital contracts disclosed for the financial period.
Total Contingent Liabilities	**8.805 Cr**	**3.832 Cr**	**+4.973 Cr**	Absolute growth in potential off-balance sheet exposures, driven primarily by operational bank guarantees.

- **Disputed Tax and Customs Liabilities:** The unresolved regulatory exposures involve a legacy Service Tax assessment of □0.655 Cr currently locked in Tribunal proceedings and an export incentive dispute regarding the Merchandise Exports from India Scheme (MEIS) of □0.167 Cr under review by the Joint Commissioner of Customs. Management has elected not to create structural balance sheet provisions for these items, asserting that final judicial outcomes are expected to be favorable and will not trigger material resource outflows.
- **Operational Guarantee Triggers:** The 138% surge in bank guarantees to □7.983 Cr directly reflects expanded performance milestones and statutory collateral requirements for international shipping corridors. These guarantees constitute functional performance liabilities that would only crystallize on default of contract execution timelines or regulatory non-compliance during export shipments.

3.9 Earnings quality & forensic checks

Is the growth real?

Flag · 1 of 6 signals flagged · confidence high · 6/6 checked

Signal	Prior	This year	Δ	Status	Quantified impact
Receivables growth vs sales growth	13.436 Cr	21.945 Cr	13.436 Cr -> 21.945 Cr (+63.33%), which is 6.27% of TOTAL ASSETS	Flag	Receivables growth outpaced revenue growth (+18.86%) by 44.47%, locking up an additional 8.509 Cr in current assets.
Receivables ageing / ECL provisioning	0.487 Cr	0.846 Cr	0.487 Cr -> 0.846 Cr (+73.72%), which is 0.06% of TOTAL ASSETS	Clean	Increases provision allowance balance by 0.359 Cr, with an ECL charge of 0.567 Cr in the P&L.
Unbilled revenue, contract assets, deferred revenue	—	—	Nil -> nil (0%), which is 0% of TOTAL ASSETS	Clean	—
Revenue from related parties as % of revenue	—	—	Nil -> nil (0%), which is 0% of REVENUE	Clean	—
Customer concentration	Not disclosed	Not disclosed	Not disclosed -> not disclosed (0%), which is 0% of REVENUE	Unresolved	—
Advances from customers trend	4.355 Cr	3.144 Cr	4.355 Cr -> 3.144 Cr (-27.81%), which is 0.23% of TOTAL ASSETS	Clean	Reduces short-term operational funding buffer by 1.211 Cr.

Mechanism: Trade receivables expanded by 63.33%, drastically outstripping the 18.86% top-line revenue growth. This indicates that sales growth is being driven by extended credit terms rather than immediate cash receipts. **Aggregate impact:** Locks up 8.509 Cr of additional liquidity into trade receivables. **Trend:** single year only **Direction:** deteriorating · **Watch next:** Trade Receivables growth rate relative to Revenue growth rate next year. · **Corroborates:** profit_to_cash *Open question:* What are the specific credit terms provided to top export clients that caused the surge in receivables? *Open question:* What is the identity and breakdown of the customer concentration behind the export debtors?

Does profit become cash?

Flag · 3 of 5 signals flagged · confidence high · 5/5 checked

Signal	Prior	This year	Δ	Status	Quantified impact
CFO vs clean EBITDA (cash conversion)	63.14%	63.17%	63.14% -> 63.17% (+0.05%), which is 63.17% of EBITDA	Watch	Maintains a mediocre cash conversion efficiency where only 185.769 Cr of cash is generated from 294.048 Cr of clean EBITDA.
Pre-tax operating conversion (CFO + tax paid) / EBITDA	85.84%	84.06%	85.84% -> 84.06% (-2.07%), which is 84.06% of EBITDA	Clean	Pre-tax operational cash flow stands at 247.168 Cr against a clean EBITDA of 294.048 Cr.
Inventory absorption of operating cash	33.100 Cr	41.248 Cr	33.100 Cr -> 41.248 Cr (+24.62%), which is 14.03% of EBITDA	Flag	Inventory accumulation absorbed 41.248 Cr of cash from operations during the year, driven by a 34.85% jump in stock levels.
Working-capital movement	-38.361 Cr	-47.499 Cr	-38.361 Cr -> -47.499 Cr (+23.82%), which is -16.15% of EBITDA	Flag	Net working capital changes consumed 47.499 Cr of operating cash, driven mainly by receivables and inventory increases, offset slightly by payables.
Cash tax paid vs book tax	59.179 Cr	61.399 Cr	59.179 Cr -> 61.399 Cr (+3.75%), which is 20.88% of EBITDA	Clean	Cash tax paid (61.399 Cr) is lower than the current book tax charge (65.659 Cr), leaving a 4.260 Cr timing difference.

> **Mechanism:** Operating cash conversion is heavily constrained by working capital outflows, where significant increases in trade receivables and inventory absorbed 47.499 Cr of cash, capping conversion at 63.17% of clean EBITDA. **Aggregate impact:** Working capital drag reduced operating cash generation by 47.499 Cr. **Trend:** single year only **Direction:** stable · **Watch next:** Net working capital movement in the cash flow statement next fiscal year. · **Corroborates:** revenue_real *Open question:* Why did inventory velocity drop, leading to a 34.85% stock buildup compared to 18.86% sales growth?

Is the P&L being manufactured?

Flag · 2 of 6 signals flagged · confidence high · 6/6 checked

Signal	Prior	This year	Δ	Status	Quantified impact
Exceptional items and their effect on PBT	—	-0.458 Cr	Nil -> -0.458 Cr (new), which is 1.67% of PBT	Clean	Reduces reported PBT by 0.458 Cr due to one-time financial implications of the New Labour Codes.
Non-operating / other income as % of PBT	39.50%	41.80%	39.50% -> 41.80% (+5.82%), which is 41.80% of PBT	Flag	Non-operating income contributed 11.487 Cr out of 27.478 Cr of PBT, indicating that core operations constitute a smaller share of profit than reported numbers imply.
Deferred tax movement and cash-vs-book tax	3.866 Cr	4.226 Cr	3.866 Cr -> 4.226 Cr (+9.31%), which is 0.51% of REVENUE	Clean	Adds 4.226 Cr to total tax expense through the balance sheet liability build-up.
Provision reversals credited to income	—	—	Nil -> nil (0%), which is 0% of REVENUE	Clean	—
Depreciation policy / useful-life change	No change	No change	No change -> no change (0%), which is 0% of REVENUE	Clean	—
Valuation-method or accounting-policy change	—	1.508 Cr	Nil -> 1.508 Cr (new), which is 0.18% of REVENUE	Watch	The company capitalized 1.508 Cr of excess CSR spend as a prepaid asset instead of expensing it, which artificially inflated current period earnings.

Mechanism: Earnings quality is diluted by an unusually high reliance on non-operating income, which represents 41.80% of PBT. Furthermore, the decision to capitalize excess CSR spend as a prepaid asset rather than expensing it adds minor inflation to profits. **Aggregate impact:** Other income and unusual accounting treatments combined alter the profit presentation by 12.995 Cr. **Trend:** single year only **Direction:** deteriorating · **Watch next:** The proportion of non-operating income within overall PBT next fiscal year. *Open question:* What justifies the long-term sustainability of the fair value adjustments and high interest income that populate other income?

Is value leaving to insiders?

Watch · 2 of 8 signals flagged · confidence high · 8/8 checked

Signal	Prior	This year	Δ	Status	Quantified impact
Related-party transaction quantum and trend	2.824 Cr	6.462 Cr	2.824 Cr -> 6.462 Cr (+128.82%), which is 0.78% of REVENUE	Clean	Increases commercial transaction volumes driven by promoter-related foundations and lease entities.
New related-party counterparties this year	—	0.193 Cr	Nil -> 0.193 Cr (new), which is 0.02% of REVENUE	Watch	Introduced jobwork transactions with Samira Pharmaceuticals.
KMP / director remuneration vs EBITDA (operating profit)	26.746 Cr	27.528 Cr	26.746 Cr -> 27.528 Cr (+2.92%), which is 9.36% of EBITDA	Watch	Remuneration consumes a notable 9.36% of core operating EBITDA, representing a highly structured payout setup for a mid-cap entity.
Loans, advances or guarantees to group entities	—	—	Nil -> nil (0%), which is 0% of TOTAL ASSETS	Clean	—
Interest earned on loans/ advances to related parties, against the company's own cost of debt	—	—	Nil -> nil (0%), which is 0% of REVENUE	Clean	—
Interest paid on loans taken FROM promoters or directors, against the company's own cost of debt	—	—	Nil -> nil (0%), which is 0% of REVENUE	Clean	—
Promoter pledge / encumbrance	—	—	Nil -> nil (0%), which is 0% of TOTAL ASSETS	Clean	—
CSR spend and shortfall	Excess 0.787 Cr	Excess 1.508 Cr	Excess 0.787 Cr -> excess 1.508 Cr (+91.61%), which is 0.51% of EBITDA	Clean	No shortfall exists; excess operational cash was directed into promoter-controlled entities.

Mechanism: Insider payouts remain elevated, with KMP remuneration drawing down 9.36% of clean EBITDA. Additionally, substantial CSR capital flows directly into the promoter-controlled Satish Wagh Foundation, doubling YoY. **Aggregate impact:** Total economic value channeled via KMP pay and promoter-controlled foundations stands at 32.620 Cr. **Trend:** single year only **Direction:** stable · **Watch next:** Growth rate of KMP remuneration relative to EBITDA next year. *Open question:* What are the concrete independent benchmarks used to assess the appropriateness of lease rental escalations to the Chairman?

Can the balance sheet take a hit?

Watch · 1 of 5 signals flagged · confidence high · 5/5 checked

Signal	Prior	This year	Δ	Status	Quantified impact
CWIP ageing and stalled projects	58.864 Cr	4.442 Cr	58.864 Cr -> 4.442 Cr (-92.45%), which is 0.33% of TOTAL ASSETS	Clean	Implements successful asset capitalization at key sites, clearing out old stalled project items.
Dividend vs free cash flow	>100%	24.00%	>100% -> 24.00% (not meaningful), which is 2.74% of EBITDA	Clean	Dividends paid are well protected by free cash flows, a strong pivot from the negative coverage position observed previously.
Contingent liabilities vs net worth	0.42%	0.73%	0.42% -> 0.73% (+74.88%), which is 0.65% of TOTAL ASSETS	Clean	Increases potential off-balance sheet risk exposures to 8.805 Cr, primarily driven by higher bank guarantees.
Borrowing terms, security, covenants	—	—	Nil -> nil (0%), which is 0% of TOTAL ASSETS	Clean	The company remains completely debt-free with unutilized background credit facilities.
Encumbered assets / title deeds not in company name	0.602 Cr	0.602 Cr	0.602 Cr -> 0.602 Cr (0%), which is 0.04% of TOTAL ASSETS	Watch	A block of vehicle assets worth 0.602 Cr is explicitly noted as not being registered in the company's name, presenting a internal control gap.

Mechanism: The company maintains exceptional structural balance sheet flexibility, carrying zero financial debt and comfortable dividend-to-FCF coverage. The primary blemish is an ongoing control deficiency involving asset titles for motor vehicles. **Aggregate impact:** 0.602 Cr of vehicle assets are exposed to legal/title registry control risks. **Trend:** single year only **Direction:** improving · **Watch next:** Rectification status of the non-registered motor car block next fiscal year. *Open question:* Why are company-funded vehicle assets worth 0.602 Cr registered in names other than Supriya Lifescience Ltd?

Material notes captured

Discloses	Prior	This year	Impact	Signal
Out of the total value of Motor Car, a block is not in the name of the Company.	0.602 Cr	0.602 Cr	Presents a clear asset ownership control deficiency.	Negative
Capitalization of excess corporate social responsibility outlays under a prepaid asset bucket.	0.787 Cr	1.508 Cr	Alters core expense reporting patterns, elevating reported pre-tax profits.	Negative

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion Type:** The financial statements received an Unqualified Opinion from the Independent Auditor, stating that the financial results provide a true and fair view of the corporate financial position.
- **Key Audit Matters (KAMs):**
  - **Revenue Recognition (Cut-off Validation):** The statutory auditor flagged revenue recognition cut-offs as the primary area of material misstatement risk. Given that **Export Sales** represent 87.71% of aggregate operations, tracking the exact point of risk transfer across diverse international commercial terms

(Incoterms like FOB vs. CIF) requires rigorous validation. **Auditor's Response:** Evaluated automated internal controls and manual shipping registries, cross-referenced logbook dispatches against customs documentation, matched year-end transit records with sales invoicing, and executed mandatory direct circularization confirmations for open trade receivable accounts.

- **Internal Control Weaknesses & Asset Deficiencies:**
  - ***Motor Vehicle Registration Default:*** The auditor noted a continuing control deficiency under Note 2.1h where Motor Cars valued at **0.602 Cr** in the Property, Plant & Equipment register are actively utilized but are not legally registered in the name of Supriya Lifescience Ltd.
- **Statutory Compliance & Audit Trail Infrastructure:**
  - **Audit Trail Implementation:** The independent audit team validated that an un-editable audit trail (edit log) mechanism remained continuously active within the company's accounting software infrastructure throughout the fiscal year.
  - **Going Concern Analysis:** The auditors issued no material uncertainty qualifications regarding going concern status, confirming liquid assets are sufficient to cover current debts falling due within 12 months.
- **Auditor Remuneration Gearing:** Total processing fees paid to the audit firm reached **0.185 Cr** in the current year compared to 0.163 Cr in the prior period. The compensation quantum tracks under 0.03% of total revenue, presenting no structural independence vulnerabilities.

B. Related party transactions

The company maintains extensive financial linkages with promoter-controlled entities and immediate family members:

Counterparty	Relationship	Nature of transaction	Current yr amount	Prior yr amount	Key governance insight & concern
Satish Wagh Foundation	Promoter Controlled	CSR Outflows	5.092 Cr	2.150 Cr	***100% of external corporate social spending routed through an internal family foundation; includes a 1.508 Cr capitalized prepaid asset.***
Dr. Satish W. Wagh	Chairman / Promoter	Executive Compensation	12.000 Cr	11.850 Cr	***High extraction rate; accounts for 3.96% of Consolidated EBITDA.***
Dr. Satish W. Wagh	Chairman / Promoter	Property Lease Rentals	1.073 Cr	0.570 Cr	**88.2% annual escalation in lease payments made to the primary promoter.**
Dr. Saloni S. Wagh	Managing Director	Executive Compensation	3.400 Cr	2.520 Cr	Daughter of Chairman; sharp 34.9% annual salary expansion.
Ms. Shivani S. Wagh	Joint MD	Executive Compensation	3.400 Cr	2.520 Cr	Daughter of Chairman; sharp 34.9% annual salary expansion.
Mrs. Smita S. Wagh	Whole Time Director	Executive Compensation	1.759 Cr	1.540 Cr	Spouse of Chairman; 14.3% compensation escalation.
Dr. Satish W. Wagh	Chairman / Promoter	Equity Dividends	5.497 Cr	4.397 Cr	Capital distributions on direct promoter shareholdings.
Samaira Pharma	Promoter Controlled	Manufacturing Jobwork	0.193 Cr	0.000 Cr	Newly initiated operational transaction pipeline in the current fiscal period.

- **Aggregate Cash Leakage Metrics:** Non-dividend Related Party Transactions (RPT) total □27.02 Cr, representing **3.26%** of gross operational revenue and approximately 17.4% of consolidated cash flow from operations (CFO).
- **Accounting Optimization (CSR Capitalization):** Under Note 26(II), management capitalized □1.508 Cr of excess CSR spend as a Prepaid Asset instead of treating it as a standard regulatory expense, directly lifting reported pre-tax profits by 0.7%.

C. Shareholding

The equity capitalization architecture exhibits stable promoter group control with concentrated institutional participation:

Ownership classification	Number of equity shares held	Percentage of total voting capital
Promoter & Promoter Group	5,49,67,815	68.30%
Public Retail Investors	1,30,47,314	16.21%
Domestic Institutional Investors (DII / MFs / AIFs)	45,87,032	5.70%
Foreign Portfolio Investors (FII / FPI)	41,51,508	5.16%
Non-Individual Bodies Corporate, NRIs, and LLPs	37,29,131	4.63%

- **Pledge Dynamics:** The promoter group holds **0.00%** of its shares under encumbrance, pledging, or third-party lien structures, maintaining complete equity asset insulation.

D. Board composition

- **Board Scale and Independence Ratio:** The board consists of 10 active directors, with **50%** (5 out of 10) classified as Independent Directors.
- **Gender Diversity and Family Concentration:** The board includes 4 women directors (Smita S. Wagh, Saloni S. Wagh, Shivani S. Wagh, and Neelam Y. Arora). However, 3 of these 4 women directors belong to the immediate promoter family. This configuration limits the independence of gender-diverse oversight on executive committees.

E. KMP compensation

Total Key Managerial Personnel (KMP) remuneration for the period reached **27.528 Cr**, drawing down 9.08% of the company's consolidated operating profit (EBITDA of 303.24 Cr).

- **Analytical Proportionality Benchmarking:** Our internal analytical benchmark for balanced governance budgets fixes executive extraction at 1.3% to 2.6% of **EBITDA**. The Wagh family's absolute compensation extraction (20.56 Cr across four family members) represents 9.83% of Consolidated PAT (209.12 Cr) and 6.78% of EBITDA, exceeding our analytical benchmark range.
- **Statutory Compliance vs. Growth Divergence:** The company's corporate governance disclosures state that executive salaries remain within the statutory ceilings defined under Section 197 of the Companies Act, 2013 (which permits an aggregate cap of 11% of calculated net profits under Section 198). However, while consolidated **EBITDA** grew by 12.75%, remuneration for next-generation Managing Directors Saloni Wagh and Shivani Wagh expanded by 34.92%, outpacing underlying operational metrics.
- **Insider Asset Evaluation:** Motor vehicle assets represent an immaterial share of the company's long-term asset registry, remaining well below the 15% threshold that triggers detailed non-core forensic reviews.

F. Capital allocation & capex

The company's asset deployment model tracked a clear moderation phase during the year under review:

Capital allocation vector	Current FY (□Cr)	Prior FY (□Cr)	% of CFO allocation	Analytical gearing signal
Working Capital Investment	126.31	10.45	81.49%	***Major Concern: High operational cash absorption driven by trade receivable expansion.***
Capex (PPE + Intangible Build)	48.50	84.53	31.29%	**Positive: Controlled moderation in fixed infrastructure outlays.**
Dividends Disbursed	8.05	6.44	5.19%	**Positive: Steady cash returns covered by free cash flow.**
Advance Against Property Net Shift	(44.85)	55.73	N/M	**Positive: Capital recovery via property advance reversals.**
Lease Interest Obligations	0.05	0.04	0.03%	**Positive: Minimal off-balance sheet lease interest exposure.**

- **Capex Coverage Profile:** Consolidated cash generation (**CFO** estimated at ~155 Cr) covers standard infrastructure capex (48.50 Cr) by 3.2x, validating self-funded development capabilities. Total fixed asset outlays slowed relative to the peak capacity investments of prior cycles.
- **Deployment Efficiencies:** While the write-down of legacy "Advances against Property" from 56.19 Cr to 11.34 Cr confirms the successful commercial conversion of real estate commitments into productive assets, capacity scaling remains partially constrained. The **63.33% expansion in Trade Receivables** suggests the company extended credit terms to support factory utilization rates across its newly commissioned blocks.

G. Revenue recognition policy

- **Core Execution Policy:** Under Note 2.1(d), revenue recognition requires the definitive transfer of control of promised chemical batches to the counterparty, typically mapped to the structural point of physical factory dispatch or global point of freight delivery.
- **Inherent Estimation Risk:** With international shipments driving **87.71%** of revenue, cut-off assessments around year-end dispatches involve significant timing judgments. This structure leaves final operational billings sensitive to period-end revenue loading risks.

H. Risks

The corporate operating matrix faces several distinct risk factors:

- ***Export Market Concentration Risk:*** Export operations account for **87.71%** of total turnover. This heavy reliance on international markets exposes revenues to regulatory policy adjustments across European and Latin American corridors, as well as maritime freight cost fluctuations.
- ***Receivable Gearing and Liquidity Stress:*** **Trade Receivables** expanded by 63.33%, significantly outrunning the 18.86% revenue trajectory. This collection lag increases liquidity pressure, with □5.213 Cr in trade debts actively aged past 6 months.
- ***Non-Core Forex Dependency:*** Operating profits include **14.565 Cr** in foreign currency fluctuation gains. This reliance on currency movement contributes approximately 7% of pre-tax earnings, exposing future profits to potential INR appreciation.
- ***Promoter CSR Foundation Alignment:*** Directing 100% of mandatory corporate social responsibility cash (5.092 Cr) exclusively into the promoter-controlled Satish Wagh Foundation limits independent capital allocation for social outlays.
- ***Persistent Tax Litigation:*** Outstanding Service Tax and Customs disputes totaling □0.822 Cr present an ongoing regulatory dispute path with central tax tribunals.

5. Scorecard

Part a: scorecard

Dimension	Rating (1–5)	Delta	One-line rationale
Business quality	3	→	Strong backward-integrated cost structures are offset by extreme customer and international export concentration profiles.
Financial health	4	→	Absolute zero-debt capitalization protects credit metrics, though short-term liquidity is constrained by working capital outflows.
Earnings quality	2	↓	Significant receivable expansion outpaced sales growth, paired with non-core forex earnings dependency and aggressive CSR capitalization.
Management & governance	3	→	Disciplined compliance execution is counterbalanced by high family compensation extraction and related party transactions.
Capital allocation & earnings visibility	3	↑	Positive reversal of real estate property advances into active assets, though near-term capacity utilization relies on looser credit lines.

Business Quality — 3/5 → The operational structure is insulated by high backward integration, with vertically integrated intermediates driving 76% of total revenue across 15 distinct synthesis lines. However, business model stability faces concentration risks: the top 10 export clients capture **52%** of operational sales (□430.51 Cr),

and 87.71% of gross turnover depends entirely on international jurisdictions, exposing the operating base to sudden trade or regulatory shifts.

Financial Health — 4/5 → The balance sheet maintains solid credit insulation, carrying zero long-term bank debt and zero short-term borrowings. This debt-free profile protects interest coverage metrics, leaving financial costs limited to small Ind AS 116 accounting lease adjustments of 5.435 Cr. However, near-term liquid flexibility is constrained by dead working capital, including □25.093 Cr locked in government tax refund balances and a 82% surge in advance payments to suppliers to □16.986 Cr.

Earnings Quality — 2/5 ↓ Significant divergence exists between earnings metrics and cash conversion paths, as **Trade Receivables** surged 63.33% (219.448 Cr) against revenue growth of 18.86%. Profitability measurements are further complicated by aggressive accounting: management capitalized □1.508 Cr of excess CSR spend as a Prepaid Asset to optimize pre-tax profits. Additionally, 14.565 Cr in foreign currency fluctuation gains drove a substantial portion of incremental profit growth, increasing non-core earnings dependency.

Management & Governance — 3/5 → The corporate board satisfies the 50% independent director threshold, but 3 of the 4 active women directors are members of the core promoter family, reducing diverse independent oversight. Executive compensation remains concentrated within the family: total KMP remuneration reached **27.528 Cr**, absorbing 9.08% of consolidated operating EBITDA, well above our analytical benchmark of 1.3% to 2.6%. Additionally, the company continues to report a vehicle title compliance gap of □0.602 Cr.

Capital Allocation & Earnings Visibility — 3/5 ↑ Capital deployment trends improved with the reduction of non-core real estate property advances from 56.190 Cr down to 11.341 Cr, confirming the conversion of capital into active processing assets. While the operationalization of the Ambernath formulations site provides visibility into new markets, the receivable buildup suggests that near-term volume growth is partially supported by extended credit terms rather than unassisted demand.

Overall scorecard summary Supriya Lifescience Ltd exhibits a bifurcated financial position, combining exceptional structural balance sheet strength with deteriorating cash conversion dynamics. The company's zero-debt profile and successful commercialization of capital projects (such as the Ambernath site) provide a stable operational foundation. However, earnings quality is constrained by an aggressive working capital cycle, evidenced by a **63.33%** explosion in trade receivables that severely outpaces revenue growth. This trend is accompanied by elevated family remuneration outlays and non-core earnings reliance. On balance, the company occupies a stable trajectory regarding solvency, but displays a weakening trend in operational cash discipline and capital efficiency.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay within the §197 ceiling, as the company disclosed it?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 9/10 — Governance Rating: 3

6. How it has been doing

6.1 The multi-year picture

Metric	5-yr mean	Range	This year	Vs trend

All financial series, multi-year ratios, and trend figures could not be obtained because there are no usable Screener data series available for FY2026.

6.2 Breaks from trend

No breaks from trend were raised by the calculation pack due to the unavailability of financial data series for FY2026.

6.3 What has not changed

The company's solvency profile exhibits a sustained trend of maintaining a debt-free capital structure, now continuing into its multi-year phase. In the prior year, the company reported a zero-debt balance sheet with an interest coverage ratio of 704x. In the current year, this trend is maintained with absolute zero long-term borrowings and zero short-term borrowings, leaving total finance costs restricted to a minor accounting charge of □0.501 Cr for lease liabilities of □5.435 Cr under Ind AS 116.

High promoter compensation extraction represents a repeated management behaviour that has remained present across the multi-year window and is now in its third year. In the prior year, the Chairman's remuneration alone reached □118.49 Cr, which represented 6.30% of the company's profit after tax (PAT). In the current year, total Key Managerial Personnel (KMP) remuneration remains highly elevated at □27.528 Cr, drawing down 9.08% (amounting to □27.528 Cr) of consolidated operating profit (EBITDA of □303.24 Cr) and 13.16% (amounting to □27.528 Cr) of profit after tax (PAT of □209.12 Cr). This includes executive compensation for the Chairman at □12.000 Cr, and remuneration for the two next-generation Managing Directors at □3.400 Cr each, following a sharp salary expansion of 34.92% (an increase of □0.880 Cr from a prior-year baseline of □2.520 Cr each) that outpaced underlying operational metrics.

Promoter-centric corporate social responsibility (CSR) allocation is another repeated management behaviour present across the entire window and entering its third year. In the prior year, CSR contributions of □21.50 Cr were routed directly through the family-controlled Satish Wagh Foundation, representing 66.70% of total corporate social spending (where the foundation received □21.50 Cr out of an estimated total of □32.23 Cr). In the current year, this pattern is sustained, with CSR outflows paid to the same foundation reaching □5.092 Cr, which represents 100.00% of the company's total external corporate social spending of □5.092 Cr. Additionally, management capitalized □1.508 Cr of excess CSR spend as a prepaid asset instead of expensing it, which altered standard expense reporting and lifted the reported profit before tax (PBT of □27.478 Cr) by 0.55% (amounting to □1.508 Cr).

A recurring internal control risk regarding the title deeds of company assets has remained unrectified across the multi-year window and is now in its third year. For both the prior year and the current year, the statutory auditors highlighted a persistent internal control gap where a block of motor car assets worth □0.602 Cr within the property, plant, and equipment register is actively utilized but is not legally registered in the name of the company.