Supriya Lifescience Ltd — Aug 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss (on Margins) / Strong Beat (on Revenue Momentum, adjusted for one-offs) **One-line:** A "perfect storm" of transient external shocks (water/power) and a governance headache (customs/legal) masked robust underlying demand, leaving the ₹1,000 Cr FY27 thesis intact but requiring flawless execution for the remainder of the year.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Miss	Revenue (□190 Cr) missed implied run-rate due to □35 Cr water-related deferment; EBITDA margin (25%) fell well below 33-35% guide.	□
Earnings Quality	Low (One-off heavy)	PAT impacted by retrospective power costs (□5 Cr) and solar policy changes (□8 Cr).	□
Guidance Confidence	Strong	Management re-iterated □1,000 Cr revenue and 33-35% EBITDA margin for FY27 despite Q1 headwinds.	□
Management Credibility	Neutral	Dented by "human oversight" in customs/CBN documentation leading to an employee arrest, but partially redeemed by transparent communication on operational fixes.	□
Business Quality Signal	Stable	Core demand remains high; 72% backward integration continues to provide a structural floor despite cost spikes.	□
Key Q&A Exchange	Q#7 - Customs Lapse	Management clarified the customs issue was a 2-day technical lapse on a single psychotropic consignment; no cascading impact on other products.	□
The Street's Primary Anxiety	Sustainablity of Margins	Analysts questioned the return to 33-35% margins; mgmt confirmed power hikes can be passed through on a PO-basis.	□
Capital Cycle Stage	Investment	Groundbreaking at Patalganga (□200 Cr Phase 1) started; Ambernath EU audit scheduled for Nov-2026.	□
Margin Trajectory	Deteriorating (Transient)	Slashed to 25% from 35.5% (QoQ); recovery depends on normalizing power costs and high-margin exports in Q2-Q4.	□
Pricing Power	Stable	Liberty to pass on price increases to customers on a per-purchase order (PO) basis remains.	□
FCF Conversion & Quality	Distorted	High inventory (□230-240 Cr) to support deferred sales and previous (now cancelled) shutdown plans.	□
Competitive Moat Signals	Stable	72% backward integration maintained; DSM (Vitamins) project at peak volumes.	□
Balance Sheet Strength	Strong	Zero utilization of working capital limits; □150 Cr in cash/liquid investments.	□
Working Capital Efficiency	Deteriorating	Inventory spiked further to support a shutdown that is now being handled in a "phased manner."	□
Mgmt Guidance Track Record	Reliable	Historically accurate, but Q1 puts massive pressure on Q3/Q4 to over-deliver.	□
Key Vulnerability	Regulatory/Legal	The judicial custody of a GM over a CBN export authorization lapse is an ESG/Governance watchpoint.	□
Management Tone	Resilient	Focused on recovering lost production and maintaining long-term CAGR targets despite "non-linear" quarterly results.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** Underlying demand is decoupling from operational hiccups; the □35 Cr revenue "loss" is actually a "deferment" to Q2/Q3. Backward integration (72%) remains a formidable cost barrier. The Ambernath EU audit date (Nov-2026) provides a concrete timeline for the high-margin FDF ramp-up. * **Negatives:** Governance/Compliance oversight led to a legal imbroglio and an employee arrest, which is a significant "soft risk" for a regulated pharma player. Financials were messy due to retrospective power costs and unexpected water scarcity in a high-rainfall zone. * **Street Concern:** Analysts were deeply concerned about the "Customs/CBN" issue and the volatility of margins. Management’s response—that it was a localized technical oversight and that power costs are pass-through—seemed to calm immediate fears, but the execution bar for H2 FY27 is now exceptionally high. * **Watchpoint:** Flawless resolution of the Customs legal case and the successful completion of the EU audit in November are the two binary catalysts for the stock.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — numbers from concall.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	190.0	↑ 31.0%	↓ 31.4%	↓	Growth YoY robust, but QoQ hit by □35 Cr water-shortage deferment.
India Revenue (%)	19.0%	→	→	→	Domestic share stable; exports remain the core driver.
Export Revenue (%)	81.0%	→	→	→	Asia (39%), Europe (35%), LATAM (20%).
EBITDA (□Cr)	47.0	↓ 8.1%	↓ 52.0%	↓	Impacted by □10.5 Cr transient cost headwinds (Power/Solvents).
EBITDA Margin %	25.0%	↓ 1,000bps	↓ 1,050bps	↓	Significant compression from prior quarter's 35.5%.
PAT (□Cr)	24.0	↓ 31.4%	↓ 67.5%	↓	Hit by lower operating profit and higher tax/ depreciation.
PAT Margin %	12.7%	↓ 1,140bps	↓ 1,410bps	↓	Reflects operational deleverage in a "one-off" quarter.
Inventory (□Cr)	230-240	↑	↑	□	High levels due to preemptive build-up for a now-phased shutdown.
Cash/Liquid Inv (□ Cr)	150.0	→	→	□	Strong liquidity to fund Patalganga Phase 1.
Backward Integration	72.0%	↓ 400bps	↓ 400bps	↓	Slight dip from 76% in Q4 but remains high.
Depreciation (Est. FY)	35-40	↑	↑	↓	Increasing as Ambernath capitalization kicks in (□14-15 Cr).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Vitamins (DSM)	Not Stated	High	High	↑	Above	Pharma validation complete; dedicated facility at peak volumes.
Anesthetics	Not Stated	Stable	Mid-High	→	In-line	Two new liquid products launched in Q2; CEP expected Oct-Nov.
CVS	Not Stated	High	Mid	↑	In-line	Q3 FY26 launch now commercialized; domestic traction strong.
ADHD	Not Stated	High	High	↑	Above	Scaling well in LATAM/Europe; two new products in pipeline.
Formulations	Miniscule	New	TBD	→	TBD	Ambernath EU audit scheduled for Nov-2026.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	□1,000 Cr FY27 Target	Needs □810 Cr over 9 months (~□270 Cr/ qtr). Requires 42% YoY growth in H2.	**On Track** (Adjusted)	Moderate
Guidance	Margins	33% - 35% EBITDA	Requires margins to bounce back to ~38% in H2 to average out.	**Missed** (Q1)	High
Guidance	New Launches	ADHD & Contrast Media	Contrast Media now expected H2 FY27 (delayed from Q4 FY26).	**Delayed**	Moderate
Guidance	Capex Plan	□200 Cr Phase 1 Patalganga	Construction of boundary walls started; API blocks prioritized.	**On Track**	Low
Strategy	Operating Model	Phased Maintenance	Cancelled Aug shutdown for Blocks A-D; now phased to minimize hit.	**Improved**	Low
Strategy	CDMO Mix	Ambernath Ramp-up	Targeted as a 3-4 year vertical; Nov audit is the key unlock.	**On Track**	Moderate
Macro	Power Costs	Solar Policy Reversal	□8 Cr impact in Q1; □5 Cr was retrospective. Pass-through possible.	**Ongoing**	Moderate
Macro	Water Supply	Lote Industrial Belt Scarcity	Resolved; monsoon onset has normalized Koyna River levels.	**Resolved**	Low
Balance	Liquidity	Internal Accruals	Self-funding □200 Cr capex via □150 Cr cash + current OCF.	**Delivered**	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Adityapal / MSA Capital	Patalganga Delay	Capex and Allocation	"Why is there a delay in breaking land and starting construction at Patalganga?"	Management confirmed boundary wall construction has started and the API block is the first priority to address Lote capacity constraints. This signals that the long-term volume driver is finally moving out of the planning phase.	None	4.0	Quantified timeline
2	4.5	Adityapal / MSA Capital	Ambernath Audit	Mgmt Commentary	"When can we really start generating revenues for the EU regulated markets?"	The EU audit for the Ambernath facility is officially scheduled for the second half of November 2026. This provides a hard catalyst for high-margin formulation exports starting late FY27/early FY28.	None	5.0	Specific date given
3	4.0	Nikhil / SIMPL	Water Risk	Business Overview	"What are we thinking to de-risk ourselves from longer-term water shortages?"	Management is working with consultants to implement water recycling for utilities (cooling towers) since recycled water cannot be used in APIs. This identifies a previously unrecognized	None	3.0	Strategic intent

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						climate risk that now requires structural capex to mitigate.			
4	3.5	Nikhil / SIMPL	Solar Subsidy	Financials	"Why do you think the solar subsidy [cost] is a one-time thing?"	Approximately □4.5-5 Cr of the cost was a retrospective collection for the March-July period, while future hikes will be passed to customers on a PO-basis. This de-risks future EBITDA margins from being permanently suppressed by current energy policy.	None	4.0	Specific financials
5	4.5	Nikhil / SIMPL	Contrast Media	Business Overview	"How are we managing challenges in getting specifications [for contrast media]?"	Launch is delayed two quarters as R&D fine-tunes a more cost-competitive process due to raw material price volatility. This confirms management's "margin-first" philosophy over chasing empty revenue growth.	None	4.0	Logical rationale
6	5.0	Nikhil / SIMPL	Customs Issue	Governance	"Is this issue resolved now... why have we still booked the sales?"	The matter is sub judice, but the company has received a new export authorization which they	Legal specifics	3.0	Hedges or timing

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						believe regularizes the single, low-value consignment. Investors must monitor the High Court outcome to ensure no systemic license risks exist.			
7	4.0	Mulesh / Shah & Savla	Guidance Reconf.	Financials	"May I get some reconfirmation on guidance... and Q2 cost estimates?"	Management reaffirmed the 1,000 Cr revenue and 33-35% EBITDA guidance, stating lost Q1 sales will be recovered in subsequent quarters. This sets a very high bar for Q2-Q4 execution, making any further slips critical.	None	4.0	Reaffirmed target
8	4.5	Mulesh / Shah & Savla	Documentation Lapse	Governance	"How was the renewal of a very important license missed by our team?"	It was not a license renewal but a 2-day technical lapse where a consignment-specific export authorization expired before the shipping bill was raised. This clarifies it as a process failure rather than a regulatory ban on the company's products.	None	4.0	Process clarificatio

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9	3.5	□□□□□□/ Padmaja	Employee Custody	Governance	"What is the status of the general manager... is he still behind bars?"	The GM remains in judicial custody as the matter is sub judice. This confirms a significant human cost and potential morale/ reputational overhang for the middle management layer.	None	2.0	Hedged/ Legal
10	4.0	Nirmam Mehta / Unique PMS	CMO Contracts	Business Overview	"Any updates on the CMO contracts that you are expecting?"	Close to signing a term sheet for a large anesthetic CDMO contract following quality approval. Success here would validate the Ambernath business model and provide high-visibility, long-term revenue.	Terms of contract	3.0	Advanced stage
11	4.0	Nirmam Mehta / Unique PMS	DSM Ramp-up	Business Overview	"Does the vitamin growth mean the DSM ramp-up is happening?"	DSM volumes have reached a stable peak with the dedicated facility now fully operational. This provides a steady-state margin floor for the core Vitamin segment.	None	5.0	Specific and verified
12	3.5	Nirmam Mehta /	New Block Capex	Capex and Allocation	"Have we started work on Block F?"	Construction will start in the next couple of	None	4.0	Phased plan

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		Unique PMS				quarters. This timing ensures capacity expansion at Lote aligns with the projected FY28 demand curve.			
13	4.0	Rachna Kukreja / SIMPL	US Market	Business Overview	"What drove the sequential improvement in North America?"	Validations for new DMF filings (Anesthetics/ ADHD) are leading to volume pick-up. North America represents the next frontier for regulated market margin expansion.	None	4.0	Directiona evidence
14	3.0	Saloni Singh (Inv)	Other Employees	Governance	"Is there any other employee involved in the [customs] matter?"	Management stated no other employees are involved. This limits the "contagion" risk of the investigation within the organization.	None	5.0	Categorica denial
15	4.5	Tushar Bohra / MK Ventures	Process Controls	Mgmt Commentary	"What is being done to strengthen the company's processes and controls [after the lapse]?"	Implementing SAP (live in 4-5 months) and quality software like TrackWise to replace manual interventions. This is a critical technological upgrade that addresses the root cause of the recent	None	5.0	Specific software named

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						documentation failure.			

PATTERN FLAGS & SENTIMENT

- **The Compliance Anxiety:** Analysts were visibly shaken by the Customs/CBN documentation failure and the subsequent arrest of a General Manager. Management's strategy was to frame this as a "one-off human oversight" involving a single consignment rather than a systemic failure. While the implementation of SAP and TrackWise is a positive corrective action, the sub judice nature of the case remains a lingering governance overhang.
- **The Margin Recovery Roadmap:** Analysts pushed hard on the math of the 33-35% EBITDA guidance. Management was confident that passing through power costs and recovering deferred high-margin sales would restore the trend. However, the street remains cautious as the company now has zero room for error in the remaining three quarters.
- **Capacity & CDMO Transition:** There is a palpable excitement around the "Ambernath + Patalganga" transition from a pure API player to a CMO/CDMO injectable player. The Nov-2026 audit date is the most significant piece of information provided this quarter, as it sets the stopwatch for the next leg of re-rating.

Analyst Sentiment Verdict: Cautiously Supportive. Analysts appreciated the transparency regarding the water/power one-offs but remained wary of the governance lapse. The credibility of the ₹1,000 Cr target survived the call because the ₹35 Cr "miss" was clearly a timing issue (deferment) rather than a loss of demand.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Maintenance Shutdown	Planned full shutdown in August	Now a "phased maintenance"	**Strategic Pivot:** Changed to avoid further production loss after Q1 water issues.	Low (Execution risk)
Contrast Media	Expected Q4 FY26 → H2 FY27	Remains H2 FY27	**Confirmed Delay:** Process improvement still ongoing.	Low (Short-term lag)
EBITDA Margins	33-35%	25% (Q1 Actual)	**Large Gap:** Headwinds were deeper than anticipated; recovery is back-ended.	High (Margin target at risk)

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY26)	This Quarter (Q1 FY27)	Direction
Revenue Run-rate	₹277 Cr (Record high)	₹190 Cr (Water-impacted)	↓ Deteriorating
EBITDA Margin	35.5%	25.0%	↓ Deteriorating
Governance Risk	USFDA EIR Received (Clean)	Customs/CBN documentation lapse; GM arrested	↓ Deteriorating
Operational Strategy	Full plant shutdown planned	Phased maintenance adopted	↑ Improving (for revenue)
Energy Costs	Passing through RM	Absorbing retrospective solar hits	↓ Deteriorating
Ambernath Timeline	Audit expected	Nov-2026 audit date confirmed	↑ Improving (Visibility)
Systems	Manual/Legacy	SAP implementation in progress	↑ Improving (Risk mitigation)
Inventory Buffer	₹200 Cr	₹230-240 Cr	↓ Deteriorating (WC drag)

INVESTOR NOTES: * **Earnings Quality:** CFO/PAT ratio is likely poor this quarter as PAT fell 67% QoQ while inventory *increased* by ~₹40 Cr. This signifies a cash burn to support finished goods that couldn't be shipped due to water scarcity and documentation issues. * **The "Human Oversight" Hedge:** Management's admission of a 2-day technical lapse is a double-edged sword; it suggests the regulatory issue is minor but also highlights a lack of automated triggers in their legacy logistics systems (now being addressed via SAP). * **Required Run-rate:** To hit the ₹1,000 Cr revenue target, Supriya must average ₹270 Cr per quarter for the next three quarters—a level they have only touched once in history (Q4 FY26). Any further operational disruption (like the Q1 water issue) will make this target mathematically impossible.

STOP HERE.