

Supriya Lifescience Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat (Full Year) / Inline (Quarterly) **One-line:** Supriya has completed its transition from a volatile antihistamine supplier to a diversified, regulated-market-led business, though a sharp spike in working capital days (158 vs 124 QoQ) signals the growing pains of scaling the newly commissioned Module E capacity.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Annual)	FY25 Revenue grew 22% (Target: 20%); EBITDA Margin at 37.4% (Target: 34-36%).	☐
Earnings Quality	Moderate	PAT growth is core-driven, but CFO-to-PAT is impacted by a ₹117 Cr inventory/receivable buildup.	☐
Guidance Confidence	Strong	Management reaffirmed ₹1,000 Cr FY27 target despite Ambernath formulation delays.	☐
Management Credibility	Mixed	High on capacity delivery (Module E) but lower on timelines (Ambernath civil construction delay).	☐
Business Quality Signal	Improving	Export mix to regulated markets (LATAM/Europe) now dominates revenue (85%).	☐
Key Q&A Exchange	Q#4, Q#21 - Contrast Media	Mgmt targeting \$100M revenue (20% of \$500M market) from Contrast Media in 2-3 years.	☐
The Street's Primary Anxiety	Working Capital	Analysts pressed on the jump in WC days; Mgmt cited larger batch sizes in Module E.	☐
Capital Cycle Stage	Harvesting / New Growth	Module E harvesting starts; Ambernath Formulation and R&D expansion in investment phase.	☐
Margin / Return Ratio Trajectory	Improving	EBITDA margins remained robust at 37% (Q4) vs 35.5% (Q3), showing product-mix resilience.	☐
Pricing Power	Stable	72% backward integration (up from 68% YoY) provides a cost moat against China competition.	☐
FCF Conversion & Quality	Weak	CFO impacted by inventory/receivable spike; Net Cash status maintained but WC is a drag.	☐
Competitive Moat Signals	Widening	Leadership in anesthetic APIs (Ketamine) and specialized "iodine-free" contrast media process.	☐
Balance Sheet Strength	Strong	Debt-to-Equity remains negligible (0.01x); only non-fund based limits utilized.	☐
Working Capital Efficiency	Deteriorating	Days increased from 124 (Q3) to 158 (Q4) due to inventory and larger batch cycles.	☐
Mgmt Guidance Track Record	Reliable	Consistent delivery on growth targets and geographic diversification (LATAM share doubled).	☐
Key Vulnerability / Red Flag	Ambernath Delay	Formulation facility commissioning pushed to Q2 FY26; commercialization in Q3 FY26.	☐
Management Tone	Confident	Aggressive regarding "China+1" and high-value product launches (ADHD, Cardiovascular).	☐

Key Takeaways:

- * **Positives:** Supriya delivered an exceptional FY25, exceeding its revenue and margin guidance. The core strength lies in its **diversification**: LATAM contribution doubled to 22%, and vitamins/analgesics now contribute significantly alongside anesthetics. Backward integration reaching 72% protects the 37% EBITDA margin floor, making it one of the most profitable API players in its peer group.
- * **Negatives:** The **Ambernath Formulation facility is delayed** by two quarters due to civil construction issues. More concerning is the **working capital spike**; inventory and receivables grew significantly, with WC days hitting 158. Management attributes this to "larger batch sizes" in the new Module E, but it suggests less efficient cash conversion as the scale grows.
- * **Street Concern:** Analysts are focused on whether the 37% margin is a "new normal." Management hedged, guiding slightly lower (33-35%) for FY26 to account for new product launch costs in semi-regulated markets.
- * **Forward-looking Watchpoint:** The Q2 FY26 launch of Contrast Media. Management's claim of targeting \$100M revenue from this single product segment in 2-3 years is highly ambitious and would be a significant thesis re-rating trigger if milestones are hit.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data Source: PPT (Annual/Cumulative), Concall (Quarterly Splits/Commentary)*

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	184.0	↑ 16.5%	↓ 1.1%	→	Annual growth (22%) driven by regulated market penetration (LATAM/Europe).
Total Revenue (FY25)	696.5	↑ 22.2%	N/A	↑	Exceeded 20% guidance; volume grew from 841 tons to 880 tons.
EBITDA (₹Cr)	68.0	↑ 21.4%	↑ 3.0%	↑	Driven by high-margin product mix and 72% backward integration.
EBITDA Margin %	37.0%	↑ 162 bps	↑ 150 bps	↑	Resilient despite product mix shifts; H2 FY25 was consistently above 35%.
PAT (₹Cr)	50.0	↑ 35.1%	↑ 6.4%	↑	PAT margins at 27%; aided by low interest costs and high operating leverage.
ROCE (%) / RONW	18.9% (RONW)	↑ 390 bps	N/A	↑	Improving capital efficiency on an annual basis as capacity ramps up.
Working Capital (Days)	158	↑ 27.4% (YoY)	↑ 27.4% (QoQ)	↓	Spike due to larger batch sizes in Module E and increased receivables from sales growth.
Net Debt / (Cash)	(Net Cash)	→	→	→	D/E at 0.01x; utilizing only non-fund based limits (LC/BG).
Exports (%)	85%	↑ 600 bps	→	↑	Strategic shift to regulated markets (LATAM/Europe) reducing India dependence.
R&D Pipeline (APIs)	18* DMFs	→	→	→	Focus on ADHD, Contrast Media, and Cardiovascular segments.

2B. SEGMENT BREAKDOWN (Geographic & Therapy)

Segment	Revenue Share (%)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
LATAM	22%	↑ 100%	High	↑	Above	Share surged from 11% to 22%; Brazil/ ANVISA approvals driving scale.
Europe	40% (Est)	→	High	→	Above	Remains core market; recent CEP for key molecule to deepen access.
Anesthetics	Not Specified	→	Premium	→	Above	One new product launched in Q4; 3 more planned for FY26.
Vitamins	Not Specified	↑ (Abs Val)	Moderate	↑	Below	DSM contract started; expected ₹30-35 Cr in FY26.
Analgesics	Not Specified	↑	Moderate	↑	Below	Significant scale-up in FY25, contributing to portfolio diversification.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	₹1,000 Cr by FY27	Needs ~20% CAGR; consistent with historical 22% growth.	Delivered	Low
Guidance	Margins	33% - 35% (FY26)	Expects slight compression due to new launch costs in semi-reg markets.	Beat	Low
Guidance	Volume	1,020 KL Capacity	Full utilization expected by FY27 as Module E (500 KL) ramps up.	Delivered	Low
Strategy	New Products	4 Launches in FY26	ADHD, Contrast Media, Cardiovascular; Q4 launch already done.	On Track	Moderate
Strategy	CDMO	₹200 Cr by FY27	Needs 10x growth from current small base; heavily reliant on DSM/Ambernath.	In Progress	Moderate
Strategy	Integration	Backward Integration	Reached 72% in FY25; 3 more products in pipeline for integration.	Delivered	Low
Capex	Ambernath	Q2 FY26 Commission	Delayed from Q4 FY25/Q1 FY26 due to civil construction.	Missed	Moderate
Nutra	Whey Protein	100 MT in FY26	Targeting 1,500 MT in 3 years; FSSAI license already secured.	New Target	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	Rachna / SIMPL	New Products	Business Overview	"How have these [new] products scaled during FY'25 and how has their contribution been to overall revenue?"	Management clarified only one anesthetic product launched in Q4 FY25 with no meaningful revenue yet; 3 more are slated for FY26. Revenue from new products typically takes 12-18 months post-registration to contribute significantly.	None	5.0	Specific timeline given
2	4.0	Rachna / SIMPL	Vitamins/ DSM	Business Overview	"How much has [the DSM] partnership contributed to revenues... given the flat overall growth in the vitamin therapy segment?"	Management expects ₹30-35 Cr revenue from the DSM vitamin contract in FY26 as validation is complete and global supply begins. This validates the CDMO leg as a tangible revenue driver for the next 12 months.	None	5.0	Quantified target
4	4.5	Rupesh / Shree Rama	Market Size	Strategy	"What is the end market size for each of these [four new] products... and are you the first manufacturer from India?"	Management is targeting a \$1B total API market size (Contrast Media \$500M, ADHD \$90M, Cardio \$100M) where China is currently the dominant supplier. Securing a "China+1"	None	4.0	Directional with evidence

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						position in these large segments is critical to hitting the ₹1,000 Cr FY27 target.			
7	4.5	Krishna / Molecule	CDMO/ CMO	Strategy	"Do we still stick to our guidance of achieving close to ₹200 crores of topline from CDMO segment by FY'27?"	Management reaffirmed the ₹200 Cr target, noting they have 5 CMO projects (3 commercial) and expectations for Ambernath formulation to add upside. Achievement hinges on successful regulatory clearance of the Ambernath site in H2 FY26.	Current revenue from CDMO	4.0	Reconfirmed with specifics
8	4.0	Krishna / Molecule	Ambernath	Capex	"What is causing the delay [in Ambernath formulation facility]?"	Management cited a minor delay in civil construction; commissioning has started with commercial production now expected by Q3 FY26. This pushback delays the entry into higher-margin FDF segments.	Impact on FY26 revenue	3.0	Hedged on impact
10	4.5	Nirali / Ashika	Margins	Financials	"Is this [37.4%] more on a conservative starting point or should we not be	Management guided to a lower 33-35% range for FY26 due to new products initially	None	4.0	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					thinking of it like a 37% as a new base?"	launching in lower-priced semi-regulated markets. This resets analyst expectations for a temporary margin dip before regulated market approvals kick in.			
12	4.0	Raghav / Vriddhi	Nutra	Strategy	"Progress on the plasma nutrition project [Whey Protein]?"	FSSAI certification is secured, and a distribution contract is nearing signature with a target of 100 MT in FY26, scaling to 1,500 MT in 3 years. This provides a non-pharma volume buffer for the manufacturing blocks.	Profit margins on Nutra	4.0	Specific volume targets
18	4.0	Ashish / Family Office	China Strategy	Strategy	"How much share are you able to gather out of the Rs. 100 what China was supplying... is it 20%? 50%?"	Management targets 10% market share in the first 18 months, aiming for 30-40% over five years as registrations are completed. This realistic ramp-up period prevents modeling errors of immediate dominance.	None	4.0	Specific ramp-up guide

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
21	4.5	Shri Hari / PCS	Contrast Media	Strategy	"For the contrast media product, what is the kind of aspirational market share you have in mind?"	Management is targeting 20% market share (\$100M revenue) in 2-3 years for Contrast Media. If achieved, this segment alone would represent >70% of current company turnover.	None	4.0	High-conviction target

PATTERN FLAGS & SENTIMENT * The "China+1" Pivot: Management is leaning heavily into the narrative of replacing Chinese suppliers in high-value, regulated markets. The surge in LATAM revenue is the "proof of concept" analysts were looking for. However, analysts are wary of the 12-18 month registration lead times, which creates a "revenue air pocket" between capacity commissioning and peak utilization. *** Margin Normalization:** Management was proactive in cooling "margin euphoria." While FY25 was exceptional (37.4%), the 33-35% guidance for FY26 suggests they are bracing for the operational costs of Ambernath and R&D expansion ahead of revenue. Analysts appeared to accept this as a necessary investment phase. *** Execution Anxiety:** The delay at Ambernath (civil construction) and the working capital jump (158 days) were the primary friction points. Analysts are watching if the management can maintain its "net cash" efficiency as it transitions from a simple API shop to a complex formulation/CDMO player.

Analyst Sentiment Verdict: Generally positive, but cautious. Management's credibility improved due to the FY25 beat, but the working capital deterioration and civil construction delays at Ambernath keep a lid on aggressive re-rating. The Contrast Media opportunity is the single most exciting unresolved issue that could transform the company's valuation if Q2 FY26 launch timelines are met.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY25)	This Quarter (Q4 FY25)	Direction
Working Capital	124 Days	158 Days	↓ Deteriorating
EBITDA Margin	35.5% (Q3)	37.0% (Q4)	↑ Improving
LATAM Revenue Share	21%	22%	↑ Improving
Ambernath Facility	Commissioning Q1 FY26	Commissioning Q2 FY26	↓ Delayed
Nutra Status	License Pending	FSSAI License Secured	↑ Positive
Product Launches	Concepts	4 New Products Quantified	↑ Clarity
CDMO/DSM	Awaiting Validation	Commercial Supply Started	↑ De-risked
FY26 Margin Guide	34% - 36% (H1-led)	33% - 35% (Re-aligned)	□Conservative

Investor Notes: * **Thesis Confirmation:** The transition to a regulated market player is complete (LATAM/Europe > 60%). The "Key Four" new products (ADHD, Cardio, Contrast Media) provide the next \$1B market opportunity. * **Working Capital Warning:** The jump to 158 days is a significant efficiency drag. If this doesn't normalize by Q2 FY26 as Module E utilization improves, it suggests the larger scale is structurally more capital-intensive. * **The Contrast Media Kicker:** The target of \$100M revenue from Contrast Media is massive relative to the current size. This is a high-conviction bet on an "iodine-free" process that bypasses traditional cost hurdles. * **Delayed Catalyst:** Ambernath formulation (FDF) was the major FY26 catalyst. The 2-quarter delay moves the "meaningful contribution" to FY27, making FY26 a "transition and ramp-up" year rather than a "harvest" year.

STOP HERE.