Supriya Lifescience Ltd — Nov 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss (on Margins) / Near-Miss (on Revenue Run-rate) **One-line:** A "transient" regulatory shock in LATAM and persistent opex from the non-earning Ambernath facility have forced a significant margin reset, shifting the thesis from a high-margin compounding story to a high-execution H2 "recovery" bet.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	EBITDA margin (22%) is a record low; significantly below the 33-35% historical guide (slashed to 23-25%).	□
Earnings Quality	Low (Deteriorating)	PAT fell 42% YoY; impacted by operating deleverage and □15 Cr/qtr opex at Ambernath with zero revenue offset.	□
Guidance Confidence	Weak	□1,000 Cr revenue target requires a Herculean H2 run-rate (□302 Cr/ qtr), which is 46% higher than the H1 average.	□
Management Credibility	Neutral	Dented by a sudden margin revision and poor visibility on LATAM shifts, but salvaged by transparency on corrective SAP/Trackwise efforts.	□
Business Quality Signal	Deteriorating	Core backward integration (74%) is intact, but "controlled substance" regulatory barriers in LATAM have hit the highest-margin mix.	□
Key Q&A Exchange	Q#7 - Margin Gap	Management admitted the 1200bps margin drop was a "perfect storm" of Ambernath (6%), LATAM (3%), and RM (3%).	□
The Street's Primary Anxiety	Margin Floor	Analysts repeatedly questioned if 22-25% is the new normal or a temporary base.	□
Capital Cycle Stage	Investment	Heavy investment in Ambernath (FDF) and Patalganga; currently in the "valley of death" before revenue kicks in.	□
Margin Trajectory	Deteriorating	25% (Q1) → 22% (Q2). Third consecutive quarter of compression.	□
Pricing Power	Eroding (Lagged)	Management notes resistance from Indian Big Pharma on RM pass-through; export contracts have a 2-quarter lag.	□
FCF Conversion & Quality	Distorted	High inventory (□265.2 Cr) continues to bloat as sales are deferred due to LATAM regulatory permits.	□
Competitive Moat Signals	Stable	Remains the only fully integrated Indian producer of certain Statin intermediates; CMO pipeline is maturing.	□
Balance Sheet Strength	Strong	Cash-rich (□150 Cr+); zero utilization of working capital limits.	□
Working Capital Efficiency	Deteriorating	Inventory spiked by □25 Cr+ sequentially to support deferred shipments and new launches.	□
Mgmt Guidance Record	Mixed	Failed to anticipate the LATAM regulatory shift only 48 days after the last call.	□
Key Vulnerability	Regulatory/ LATAM	High-margin portfolio now subject to permit delays (4-5 months) in 3-4 countries simultaneously.	□
Management Tone	Resilient/ Defensive	Shifted from optimistic to "wait-and-see" on the EU audit while defending the H2 revenue catch-up.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The underlying demand for core APIs and new launches (Anesthetics, ADHD) remains robust, as evidenced by holding the □1,000 Cr revenue target despite the LATAM shock. The EU audit for Ambernath (Nov 2026) is the single most important binary catalyst for long-term margin recovery and FDF entry. * **Negatives:** The "controlled substance" reclassification in LATAM has effectively frozen the high-margin exports to that region for 4-5 months, leading to a 1200bps YoY margin collapse. The inventory build-up (□265 Cr) is a significant cash drag, compounded by the □60 Cr annual opex hit from the Ambernath facility which remains under-utilized. * **Street Concern:** Analysts are skeptical of the □1,000 Cr target, which requires a ~□302 Cr quarterly run-rate in H2—a level Supriya has never achieved. Management's response that "order books are in place but deferred" puts massive pressure on Q3/Q4 logistics and execution. * **Watchpoint:** Success of the EU audit (starting Nov 13, 2026) and the signing of the "large anesthetic CMO contract" are the two proof points needed to verify if Supriya can move beyond its currently compressed API margins.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary and data absent from PPT.

Metric	Current Qtr (Q2 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	206.0	↑ 3.2%	↑ 8.4%	↑	Growth driven by volume scale-up in semi-regulated markets; hit by LATAM deferment.
Export Rev (%)	80.0%	↓ 500bps	↓ 100bps	↓	LATAM mix dropped from 20% to 12%; Asia (36%) and Europe (43%) compensated.
EBITDA (□Cr)	45.0	↓ 37.5%	↓ 4.2%	↓	Impacted by □15 Cr/qtr Ambernath opex and high RM/Solvent costs.
EBITDA Margin %	22.0%	↓ 1280bps	↓ 300bps	↓	Slashed due to unfavorable product mix (lower share of high-margin LATAM sales).
PAT (□Cr)	29.0	↓ 42.0%	↑ 20.8%	↑	Net profit lower YoY due to operating deleverage; QoQ up on lower tax/other expenses.
PAT Margin %	14.2%	↓ 1080bps	↑ 150bps	↑	Reflects poor operating leverage despite marginal sequential revenue growth.
R&D Pipeline	30 Products	→	→	→	Focus on Tablets, Capsules, Injections, and Liquid Inhalation (5 exhibits done).
Net Debt / (Cash)	(□150 Cr)	→	→	□	Zero debt; fully self-funding □200 Cr Patalganga Phase 1 through cash/accruals.
Inventory (□Cr)	265.2	↑ 66.0%	↑ 10.5%	□	Elevated to support deferred LATAM orders and ramp-up of new molecules.
Backward Integration	74.0%	↓ 200bps	↑ 200bps	□	Recovering toward the 76% peak; key margin defense against RM spikes.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Anesthetics	Not Stated	High	Mid-High	↑	Above	Launched 2 new liquid inhalation products; CEP received, USDMF pending.
ADHD	Not Stated	High	High	↑	Above	Scaling in LATAM/Europe; 2 new products in pipeline for FY27/28.
CVS (Statins)	Not Stated	High	Mid	↑	In-line	Monthly volume scale-up; fully backward integrated vs Chinese competitors.
LATAM Market	~24.7	↓ 40%	High	↓	Above	Hit by "Controlled Substance" reclassification; 4-5 month permit delay expected.
Ambernath (FDF)	0.0	N/A	Negative	↓	Below	Opex hit of □60 Cr/year; awaiting EU audit (Nov 2026) for revenue unlock.

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 □604 Cr in H2 (□302 Cr/qtr). Historically peaked at □277 Cr.	**High Risk**	High
Guidance	Margins	23% - 25% EBITDA (Revised)	Requires ~26% in H2 to meet the 25% upper band.	**Missed** (Prev Guide)	High
Guidance	New Launches	Contrast Media (Q3/Q4)	Must launch and scale-up within 120 days to aid FY27 targets.	**Delayed**	Moderate
Guidance	Capex Plan	□200 Cr Patalganga	Self-funded; 80,000 sq.mt. land secured.	**On Track**	Low
Strategy	CDMO Mix	Ambernath Audit (Nov 2026)	Crucial for "Sweet Spot" revenue of □160-200 Cr for breakeven.	**On Track**	Moderate
Strategy	Pricing Power	Pass-through of RM/Solvents	2-quarter lag in contract pricing; benefits expected in Q3/Q4.	**Delayed**	Moderate
Macro	Regulatory	LATAM Permits (4-5 mo)	Customers currently applying for "Controlled" import authorizations.	**Ongoing**	High
Balance	Liquidity	Net Cash Positive	Zero utilization of working capital limits maintained.	**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	5.0	Aashish / InvesQ PMS	LATAM Regulatory	Business Overview	"Can you tell us what percentage of our top line has got affected... has it affected realizations on a permanent basis?"	Management clarified that the 12% margin dip is transient, caused by high-margin products in Colombia/ Peru/Uruguay being reclassified as "controlled substances." This confirms a 4-5 month revenue deferment but protects the long-term unit economics of the core portfolio.	Exact % of impacted revenue	4.0	Transien impact confirme
2	4.5	Sajal Kapoor / Antifragile	H2 Revenue Math	Financials	"H2 run rate must be closer to □600 Cr... how confident are we?"	Management re-iterated 100% confidence in the □1,000 Cr target, citing high inventory (□265 Cr) and a firm order book already in hand. Success requires a record-breaking volume throughput in Q3/Q4, making any supply chain hiccup fatal to the target.	Specific monthly run-rates	3.5	Ambitiou catch-up
3	4.0	Dheeraj / AlphaSqr	Communication	Governance	"I somehow feel the communication systems of Supriya are quite weak...	Management took the feedback constructively, acknowledging that the LATAM	None	3.0	Construc feedback

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					any explanation?"	regulatory shift and RM spikes were unanticipated and dynamic. Improved transparency is critical to rebuilding trust after two consecutive quarters of negative surprises.			
4	4.5	Priyank / Singularity	RM Pass-through	Financials	"Are we able to pass on these cost increases to our customers... as said last quarter?"	Management admitted a 2-quarter lag in pass-through due to existing fixed-price contracts with large regulated market customers. This implies Q3/Q4 margins will have a natural tailwind as new purchase orders (POs) reflect current higher prices.	None	4.0	Time-lag acknowl
5	5.0	Mukesh Savla	EBITDA Variation	Financials	"I'm still unable to digest such a vast variation in the EBITDA margin... why?"	Management broke down the 12% drop: 6% from Ambernath opex (zero revenue), 3% from LATAM mix, and 3% from RM/ solvent spikes. This provides a clear bridge for analysts to model recovery as Ambernath ramps up and	None	4.0	Logical b

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						RM prices normalize.			
6	4.0	Karan / Invexa Cap	LATAM Market Share	Business Overview	"Is this an opportunity for organized players... to gain market share?"	Management agreed that tighter regulations on controlled substances favor organized players like Supriya who have the compliance infrastructure. Long-term, this could lead to higher customer stickiness and a consolidated market share in LATAM.	None	4.0	Competi upside
7	4.5	Aditya / MSA Capital	RM Pressure	Financials	"Why is RM impacting us more than the industry where it should have been the reverse [due to integration]?"	Management noted that even with 74% integration, basic "crude derivatives" and solvents (purchased externally) have spiked, and Big Pharma is resisting price hikes. This suggests a temporary "squeeze" in the middle of the value chain despite backward integration.	Specific solvent usage data	3.0	Squeeze admitted
8	4.5	Aditya / MSA Capital	Ambernath Breakeven	Capex and Allocation	"When do we see Ambernath breaking even?"	The "sweet spot" for breakeven is □160-200 Cr of annual revenue,	None	4.0	Quantifie breakeve

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						which management expects to reach in 1 to 1.5 years post-EU audit. This sets a clear timeline for when the current margin drag (□60 Cr/ year) will turn into a contributor.			
9	4.0	Abhishek / Fortitude	FY28 Guidance	Management Commentary	"Should we look at 27-28% [for next year]?"	Management refused to guide for FY28, stating it is contingent on the EU audit results and the subsequent R&D spend required. This evasion suggests significant uncertainty regarding the speed of the formulation ramp-up.	FY28 Margin Guide	2.0	Evasive Signal
10	3.5	Rishabh / Multi-D	Employee Legal	Governance	"What type of support that we are providing [to the arrested GM]?"	The company is providing full financial/family support and has moved the Supreme Court for quashing the matter by Dec 15. This limits the ESG "social" risk and internal morale damage from the prior quarter's legal lapse.	None	5.0	Transpar on legal

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11	4.0	Rupesh / Long Equity	Anesthetic Contract	Business Overview	"Initial 2 years will be for API... do we have enough capacity?"	Management confirmed capacity for 1,100 tonnes of anesthetic API has already been built in Module E to support this exclusive contract. This de-risks the growth from future capex needs for this specific high-volume molecule.	None	4.5	Capacity risked

PATTERN FLAGS & SENTIMENT * **The LATAM "Controlled" Anxiety:** Analysts were blindsided by the 1200bps margin drop. Management’s defensive posture—framing it as an "immediate" regulatory change with no notice—was consistent but revealed a lack of local regulatory foresight. This concern remains live for H2 until the first batch of import authorizations is confirmed. * **The Ambernath Drag:** There is significant frustration over the □60 Cr annual opex with zero revenue. Analysts pushed for a breakeven timeline, and the 1-1.5 year target post-EU audit suggests that FY28 will also be a "transition" year for margins, not a full recovery to 35%. * **The Credibility Gap:** The most friction arose from the fact that management maintained 35% margins just 48 days ago in the Q1 call. The "abrupt" nature of the LATAM change is being taken with a grain of salt; analysts are now pricing in a higher "execution risk" premium.

Analyst Sentiment Verdict: Skeptical and Wary. Analysts appreciated the detailed 6%/3%/3% margin bridge but are clearly doubting the feasibility of the □1,000 Cr revenue target. Management's credibility has shifted from "high-conviction" to "execution-watch," specifically surrounding the Nov-2026 EU audit.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Q1 FY27) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **EBITDA Margin** | 33% - 35% | 23% - 25% | **Significant Reset:** A 1000bps cut in guidance within one quarter. | High (Valuation derating) | | **Ambernath Revenue** | Expected in Q3 FY27 | Near zero for FY27 | **Audit Delay:** EU audit pushed, delaying commercial sales to late FY27/FY28. | Moderate (Delayed ROI) | | **LATAM Stability** | Firm PO visibility | Deferred 4-5 months | **Regulatory Oversight:** Failed to foresee "Controlled Substance" shifts. | High (Mix volatility) |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY27)	This Quarter (Q2 FY27)	Direction
EBITDA Margin Guide	33 - 35%	23 - 25%	↓ Deteriorating
LATAM Revenue Mix	20%	12%	↓ Deteriorating
Ambernath Status	Pre-audit	EU Audit Nov 2026	↑ Improving (Visibility)
Governance Status	GM in Custody	GM on Bail / SC Quashing Dec 15	↑ Improving (Legal risk)
Inventory Levels	□230 - 240 Cr	□265 Cr	↓ Deteriorating (WC Drag)
COO Appointment	Vacant	Mangesh Vaze joined (30y exp)	↑ Improving (Operational depth)
Anesthetic Progress	R&D	2 Products Launched / CMO near signing	↑ Improving (Product cycle)

INVESTOR NOTES: * **Earnings Quality:** CFO-to-PAT ratio is likely to be weak; PAT of □53 Cr (H1) is offset by an inventory increase of ~□30 Cr+ and high opex. The business is currently burning through its working capital to hold onto deferred orders. * **The H2 Math:** To hit □1,000 Cr, Supriya needs □604 Cr in H2. With LATAM effectively offline for Q3, the entire burden falls on "Semi-Regulated" volume growth and Q4 regulated market permits. This is a high-risk setup. * **Thesis Conclusion:** The long-term thesis (integrated API leader moving to FDF) is **not broken**, but the margin profile is being structurally lower-capped until the Ambernath FDF revenue reaches □200 Cr. Investors must watch the Nov 2026 EU audit result as the next binary re-rating event.

STOP HERE.