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**Issue Details**

Price Band (Rs)	Rs.265 - 274
Face Value (Rs)	2
Issue Size (Rs)	700Cr
Issue Type	Book Building
Minimum lot	54 Shares
Issue Opens	December 16, 2021
Issue Closes	December 20, 2021
Listing on	BSE, NSE

**Indicative Timeline**

**On or before**

Finalization of Basis of Allotment	December 23, 2021
Unblocking of Funds	December 24, 2021
Credit of shares to Demat Account	December 27, 2021
Listing on exchange	December 28, 2021

**Other Detail**

Book Running Lead Managers	ICICI Securities Limited, Axis Capital Limited
Registrar	Link Intime India Private Limited

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# Supriya Lifescience Limited

## Company Background

**Supriya Lifescience Limited ("SLL")** was incorporated on March 26, 2008. SLL is one of the key Indian manufacturers and suppliers of active pharmaceutical ingredients ("APIs"), with a focus on research and development. Company's focus is primarily on diverse therapeutic areas and niche products. As of October 31, 2021, SLL has niche product offerings of 38 APIs focused on diverse therapeutic segments such as antihistamine, analgesic, anaesthetic, vitamin, anti-asthmatic and anti-allergic. Company's business operations are supported by a modern manufacturing facility located in Parshuram Late, Maharashtra, spread across 23,806 sq.mt. They have 4 manufacturing blocks which are segregated therapeutic segment wise. The 4th block commenced operation in May 30, 2021.

## Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.200Cr and Offer for sale of Equity Shares aggregating upto Rs.500Cr.

## Issue Objectives

1. Funding capital expenditure requirements of the company: Rs.92.30Cr
2. Repayment and/or pre-payment, in full or part, of certain borrowings availed by the company: Rs.60Cr
3. General Corporate Purposes: Rs.47.7Cr

## IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.265	Number of Shares at Rs.274	Issue Size (Rs.Cr)
QIB	75%	1,98,11,321	1,91,60,584	525.00
Non-Institutional	15%	39,62,264	38,32,117	105.00
Retail	10%	26,41,509	25,54,745	70.00
<b>Total</b>		<b>2,64,15,094</b>	<b>2,55,47,445</b>	<b>700.00</b>

Source: Company RHP, ACMIIL Research

## Outlook and Valuations

SLL is one of the key Indian manufacturers and suppliers of active pharmaceutical ingredients (APIs), with a focus on research and development. As of October 31, 2021, the company had product offerings of 38 APIs focused on diverse therapeutic segments such as antihistamine, analgesic, anaesthetic, vitamin, anti-asthmatic and anti-allergic. The Indian Bulk drugs market has shown steady growth of 9% since FY19 and is expected to further grow at CAGR of 11.5-12.5% from 2021-25 outpacing the global market growth. The Indian Bulk drugs export market is expected to further grow at CAGR of 8-9% from 2021-25. With its superior product mix, established brand name, strong Relationships with Leading Global Companies, and adding capacities, we believe the company is well placed to capitalize on domestic and global opportunities. At the upper price band of Rs.274/-, stock is priced at 16.72x its FY22E EPS of Rs.16.39/- (based annualize latest earnings and on fully diluted post issue equity). **We recommend to subscribe the issue from a long-term prospective.**

## COMPETITIVE STRENGTHS

### Significant scale with leadership position across key & niche products

Company's core strength lies in identifying generic molecules (off-patent) in their existing therapeutic segments which fits in to their existing chemistry and production infrastructure and their ability to develop the product and scale-up production. With their focus on products which are high on value and low on competition, they are well positioned to derive relatively higher returns from their investments.

The export data in respect of specified products:  
(Rs.Cr)

Product	FY19		FY20		FY21	
	Total Export from					
	India	Company	India	Company	India	Company
Chlorpheniramine Maleate	47.11	38.85	66.52	49.28	80.49	57.90
Ketamine	75.45	49.20	109.19	70.34	162	95.11
Salbutamol Sulphate	14.83	58.52	40.02	14.85	80.71	30.43
Vitamin B2 (Riboflavin, Lactoplavin) and its salts	58.52	16.14	48.81	12.98	74.06	20.61
Other derivatives of Pyridine	776.81	27.09	1,081.07	25.67	1,282.98	37.80

Source: Company RHP, ACMIIL Research

The therapeutic area wise revenue contributions:  
(Rs.Cr)

Therapeutic area	FY19	FY20	FY21	6MFY22
Analgesic/antipyretic/anesthetic	65.39	118.93	90.92	56.68
Anti-malarial	17.32	20.25	19.19	12.76
Anti-hypertensive	3.56	13.24	8.17	3.48
Anti-histamine	65.73	101.23	77.52	70.99
Smoking cessation	0.75	2.13	1.37	1.90
Anti-allergic	12.37	27.70	20.56	20.54
Decongestant	2.23	1.33	2.24	4.08
Vitamin	32.48	53.31	59.82	61.07
Anti-asthma	21.19	39.62	19.68	19.77
Xanthine derivatives & Beverages	1.40	3.64	3.83	7.61
Feed additive	1.01	0.54	1.94	0.87

Source: Company RHP, ACMIIL Research

Revenue from the products has grown consistently in the last 5 Fiscals:

	Revenue in FY15 (Rs.Crore)	Previous growth in global market (2015- 2020)	Revenue in FY20 (Rs.Crore)	Expected growth in global market (2020-2025)
Benfotiamine	12.06	6.6%	17	5-10%
S-Ketamine Hydrochloride	0.37	5.6%	0.50	5-10%
Phenylephrine Hydrochloride	28.91	7.6%	43.00	5-10%

Source: Company RHP, ACMIIL Research

The company is in the process of further diversifying their product portfolio with strong product pipeline and they have already started initial phase of production, which are primarily used for distribution of samples to different customers, primarily in unregulated markets. They are in the process of commencing commercial production of these products.

## The annual capacity of the specified products:

Product	Global annual demand (MT)	Company's annual capacity (MT)
Dextromethorphan Hydrobromide	1,406	250
Pentoxifylline	3,798	300
S-Ketamine Hydrochloride	5	2
Phenylephrine Hydrochloride	430	60
Allopurinol	1,871	300
Benfotiamine	170	60

Source: Company RHP, ACMIIL Research

## Backward integrated business model

Company's backward integration of API ensures steady supply of intermediates. As on October 31, 2021, 12 of their existing products are backward integrated, which contributed 67.14% and 60.17.% of the total revenue for Fiscal year 2021 and for the 6 month period ended September 30, 2021, thereby resulting in increased margins and lesser dependence on suppliers for key starting material. With the ability to meet intermediates and processes requirements in-house, their integration model of business helps them to have sustainable business.

## Geographically diversified revenues with a global presence across 78 countries

The global pharmaceutical market can broadly be divided into regulated markets, semi-regulated and nonregulated markets.

From April 1, 2020 until October 31 2021, company's products were exported to 86 countries including:

- Regulated markets such as USA, China, Japan, Germany, Spain, Indonesia, South Korea and Switzerland; and
- Semi-regulated and non-regulated markets such as Brazil, Mexico, Chile, Taiwan, Malaysia; Bangladesh, South Africa, Kenya, Jordan and Egypt,

through their own marketing and distribution network as well as by entering into distribution arrangements with pharmaceutical distributors in these markets.

Company's business model is de-risked from the perspective of low revenue generation or loss from a particular jurisdiction or from products of a particular therapeutic segment.

## The percentage of total revenue contribution from regulated markets and semi-regulated and non-regulated markets:

Markets	FY19	FY20	FY21	6MFY22
Regulated	34%	33%	38%	49%
Semi-regulated and non-regulated markets	66%	67%	62%	51%

Source: Company RHP, ACMIIL Research

## The region wise percentage of total revenue from operations:

Region	FY19	FY20	FY21	6MFY22
Latin/ South America (Argentina, Brazil and Peru)	9.7%	7.68%	19.15%	12.01%
Europe	13.44%	17.69%	17.40%	18.53%
Asia (other than India, China and Cambodia)	28.94%	24.02%	19.45%	17.28%
India	29.04%	28.15%	22.53%	26.43%
China and Cambodia	8.53%	12.12%	9.82%	19.48%
North America	7.38%	6.06%	4.76%	2.36%

Source: Company RHP, ACMIIL Research

## Advanced manufacturing and research and development capabilities

The manufacturing facility located in Parshuram Lote, Maharashtra which is spread across 23,806 sq.mt and has reactor capacity of 547 KL/ day, has 4 manufacturing blocks which are segregated therapeutic segment wise. The 4th block commenced operation on May 30, 2021. Their manufacturing capabilities range from development of simple molecules to highly complex chiral centre molecules with expertise in different class of reactions.

Their R&D efforts are primarily focused across the value chain of API process development. As on October 31, 2021, they have a team of 23 scientists. Their R&D efforts are demonstrated by a strong pipeline of products. With a view to enhance their R&D capabilities, they are in the process of expanding their existing R&D facility to add, amongst others, a testing laboratory, research and development centre and fully automatic equipped warehouse.

## Consistent strong financial performance due to de-risked business model

The company has a proven track record of operations of over 12 years and has strong balance sheet as well as a stable cash flow profile. They have had positive operating cash flows every financial year since incorporation. Their total income, EBIDTA and profit after tax grew at a CAGR of 17.73 %, 56.47% and 77.23% from FY19 to FY21.

## Financial Snapshot

Particulars (Rs.Mn)	FY19	FY20	FY21	6MFY22
Equity share capital	146	146	146	146
Net worth	938	1,492	2,689	3,349
Revenue from Operations	2,778	3,116	3,853	2,248
EBITDA	728	1,095	1,782	987
EBITDA Margin	26.20%	35.14%	46.24%	43.90%
Net Profit	394	734	1,238	660
Net Profit Margin	14.18%	23.55%	32.13%	29.35%
Diluted EPS (Rs)	5.39	10.03	16.92	9.01
ROE(%)	42.03%	49.20%	46.04%	19.70%^
Debt to Equity	0.94	0.55	0.26	0.21

Source: Company RHP, ACMIL Research, ^ Not annualised

## Comparison with Listed Peers FY21:

Company	Standalone/ Consolidated	Total Income (Rs.Mn)	EPS	NAV	P/E	ROE (%)
Supriya Lifescience Limited	Restated	3,962	16.92	36.75	16.72^	46.04
Solara Active Pharma Sciences Limited	Consolidated	16,457	64.52	443.3	18.4	13.90
Neuland Laboratories Limited	Consolidated	9,530	62.85	613	27.8	10.25
Aarti Drugs Limited	Consolidated	21,593	30.09	98	16.8	30.70
Wanbury Limited	Consolidated	3,949	(5.04)	(62.5)	--	8.07
Divis Laboratories Limited	Consolidated	70,320	74.75	350	65.3	21.35

Source: Company RHP, ACMIL Research, P/E Ratio has been computed based on the closing market price as on November 30,2021. ^P/E Ratio has been computed based on the Issue price and annualize September 2021 earnings.

## Risks and concerns

- Product Concentration: Top 10 Products Contributes 81% of FY21 revenues.
- Customer Concentration: Top 10 customers Contributes 40% of FY21 revenues.

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