SUPRIYA LIFESCIENCE LTD.

DISCUSSION DOCUMENT – CVOCA CONFERENCE MAR 2024

CMP: Rs. 346 (2nd Mar 2024); MCAP: Rs. 2,785 Cr.;
Net Cash: Rs. ~100 Cr.;

INVEXA CAPITAL

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Speaker – Tushar Bohra

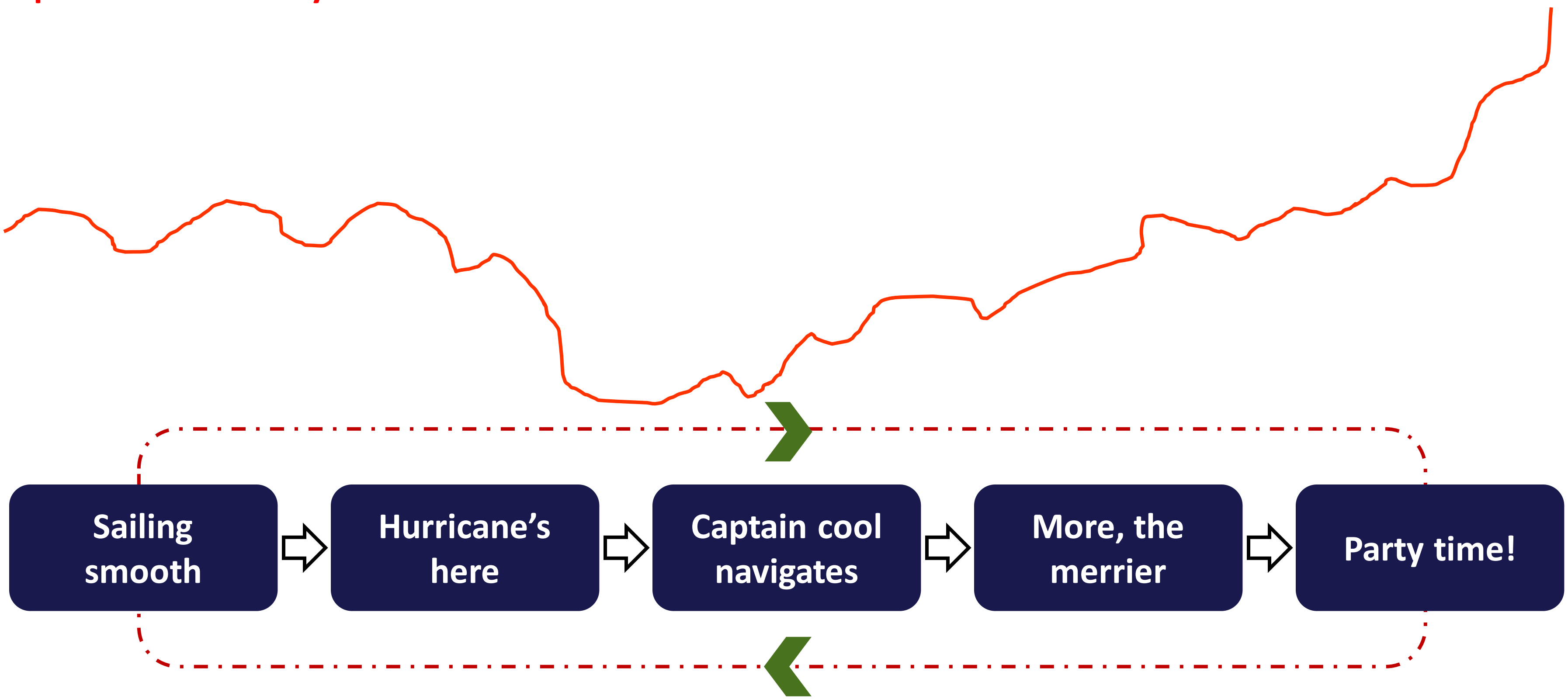
- **Co-founder & Fund Manager, MK Ventures. Partner, INVEXA CAPITAL,** boutique investment manager**.**
- 18+ years of cross-functional, cross-industry experience including **7 years in consulting and 11+ years in investing.**
- Before MK Ventures, I was Assistant Vice President – Investments at Reliance Capital Ltd., and part of the investment team at **Nippon India Asset Management**. Previously, I have also worked at Accenture Management Consulting and Tata Consultancy Services Ltd.
- I lead the team's investment initiatives in **Pharma / Healthcare, Telecom, Emerging Technologies & Business Models** and have also extensively worked in other sectors including **Consumer**, **IT, Automotive**, **Chemicals**, and **Real Estate**.
- Bachelor of Engineering degree (Electronics & Telecommunications) from Mumbai University and an **MBA (PGDM) from the Indian Institute of Management Calcutta (IIM C)**
- Besides investing, I am also very passionate about writing, and maintain my own **blog** (**https://thestormcatcher.com**)**.** I have also authored a **book** titled **"Ouch! Middle Age!",** available on Amazon Kindle.

Investment Philosophy

- **Strong business models with reasonable but certain growth characteristics**
- **Passionate promoter with a clear and well articulated vision for the company**
- **Significant upside optionality – like Business Optionality, Turnarounds and Perception Gaps**
- **Superior / Improving - balance sheet / return ratios / cashflows**
- **Valuations that I can relate to**

Investing process can never be static; for businesses / themes are rarely so…

A simple execution story…



The hardest thing in investing…

Is to let the paint dry!

Introduction – Supriya Lifescience Ltd.

Supriya has built a simple but robust business underpinned by a consistent focus on execution; getting better at it each passing day

Supriya Life – Business Overview

Niche product basket of
38 APIs

Diversified operations with presence in
86 countries

Largest exporter of **Chlorpeniramine Maleate, Ketamine Hydrochloride** and **Salbutamol Sulphate** from India

Approved facility with strong IP

15 DMFs with USFDA

9 CEPs with EDQM

3 process patent filed

Manufacturing facility spread across
23,806 sq.mts

Reactor capacity of
597 KL/day

1,200 customers

- ✓ Simple business model - focused on gaining market leadership and scale across a carefully chosen basket of niche products; benefit from specific complexities in each product (e.g. Ketamine – narcotics product at scale)
- ✓ ~75% of revenue is fully backward integrated (15 top molecules) – low commodity risk / sourcing dependences
- ✓ Successfully penetrated regulated markets for top 3 products; at least another 8-10 products on verge of doing so
- ✓ Asset turn >2x (at peak ~4x) historically; has undergone massive capacity expansion ~3x of FY21 base; well poised for further growth

Source: Supriya Investor Ppt and filings, publicly available info

Started with Ketamine in 2009 and CPM in 2010, Supriya has scaled up both molecules in about a decade; is doing so now with Salbutamol Sulphate; at least 8-10 molecules in pipeline

Supriya Life – Timeline of Progress

2008 – *Incorporation & conversion from a partnership firm to a public limited company*

2009 – *Started production of Ketamine hydrochloride*

2010 – *CEP granted for Chlorphenamine Maleate*

2011 – ***IDL** granted for Chlorphenamine Maleate*

2013 – ***COFEPRIS** and **KFDA** approval granted*

2014 – ***USFDA approval granted**; IDL granted for Brompheniramin e Maleate*

2015 – ***EUGMP** and **EDQM** approval granted*

2017 – *CEP granted for Pheniramine Maleate; **Second time USFDA approval granted***

2018 – ***CEP** granted for Brompheniramine Maleate, Mepyramine Maleate & Ketamine Hydrochloride*

2020 – ***Third time USFDA approval***

2021 – ***CEP** granted for Pentoxifylline, Esketamine Hydrochloride and Salbutamol Sulphate; NMPA approval granted; Health Canada approval*

Listed on Stock Exchange BSE & NSE

2022 – **CEP** (Certificate of suitability) renewed for Pheniramine Maleate, Chlorpheniramine Maleate and Ketamine Hydrochloride

- ✓ **Product basket rapidly expanding; multiple molecules on verge of penetrating to regulated markets including Dextromethorphan, Tramadol, Allopurinol, Bisoprolol, Pentoxyfiline, Riboflavin, Cetrizine among others**
- ✓ **Meanwhile, Ketamine and Salbutamol continue to scale up sharply, with newer indications and variants for Ketamine, newer markets for Salbutamol**

Source: Supriya Investor Ppt and filings, publicly available info

The company has a fairly well-established R&D and manufacturing presence with focus on continuous improvement in existing molecules along with augmentation of new capabilities

Supriya Life – Manufacturing and R&D

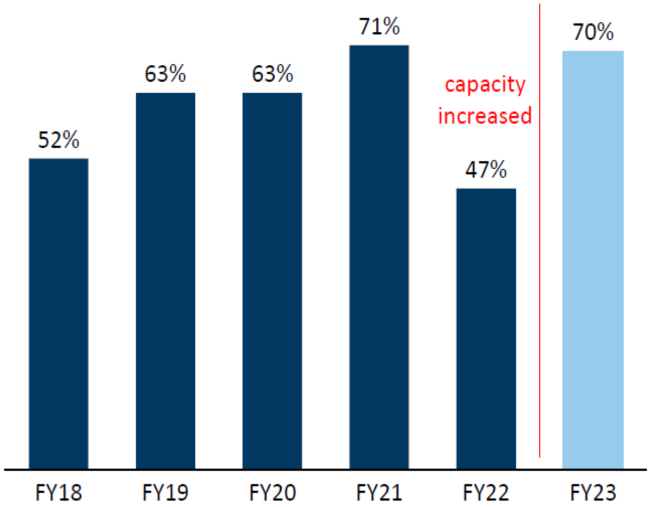
4	7	597 KL	23,806 sq.mt.
Manufacturing blocks segregated therapy wise	Clean rooms	Reactor capacity	Land area

- ✓ Well delineated areas for R&D, quality control (chemical microbiology), quality assurance, dedicated areas for engineering maintenance, warehouse, materials and finished goods stores
- ✓ Effluent treatment plant and an express feeder from the sub-station for power
- ✓ Initiated construction of a new warehouse and administration block, with new quality control & assurance lab
- ✓ Acquired a plot of land, measuring 12,551 sq.mt., near present manufacturing facility – for future growth
- ✓ Acquired a plot of land, measuring 24,646 sq.mt, 20 kms from the present manufacturing facility for backward integration
- ✓ Acquired a plot of land measuring 80,000 sq mt, at Isambe near Patalganga

Scaled up Manufacturing Facilities over the years

	Block A	Block B	Block C	Block D
Year of Establishment	1993	1994	2014	2021
Capacities	157 KL	195 KL	30 KL	215 KL
Regulatory Approved	✓	✓	✓	✓

Steady improvement in capacity utilization



- ✓ **Supriya is doing a massive capacity addition; gross block (+CWIP) set to expand to ~500 Cr. by next year. An asset turn of 3x means the facility can squeeze a turnover of upto ~1,500 Cr. over next 5 years;**
- ✓ **Additionally, the Isambe plot provides sufficient land for further expansion beyond FY27**

Source: Supriya Investor Ppt and filings, publicly available info

So, what’s happened in the stock since listing…

Supriya Life has had its fair share of ups and downs, since listing in Dec'21; with externalities (China Covid situation in 2022) and bunching up of negative news affecting public sentiments

Major concerns of analysts / investors

Early'22 – New high

Sept'22 - CEO moves to new role

Jan'23 – CFO resigns

May'23 – strong rebound in earnings

Dec'21 – successful listing

Aug'22 – first quarter with qoq margin dip

Nov'22 – poor nos. qoq / yoy margin dip

Mar'23 – memes peak; stock bottoms

FY24 – firm in recovery. Measured commentary and steady results; stock back above IPO price

CPM sales to China come to a halt due to Covid

Source: Supriya Life Annual Reports / Investor ppts / Website / Filings / Concalls, publicly available info, Internal Research. Chart taken from investing.com

Most investors have failed to grapple with a few basic but critical questions in case of Supriya; even as the answers have stared them in the face…

Major concerns of analysts / investors

- Working Capital – Stretched?
- Margins – Sustainable?
- Capacity Utilization – Correct?
- Sales – Seasonality or Volatility?
- Product Concentration - High
- Management Changes – Concern?
- Overall Numbers – Credible?

Source: Our observations from Supriya Life filings / concalls, sell side views, publicly available info, internal research.

Let’s begin by looking at a few numbers back in time…

Supriya Life – historical PnL

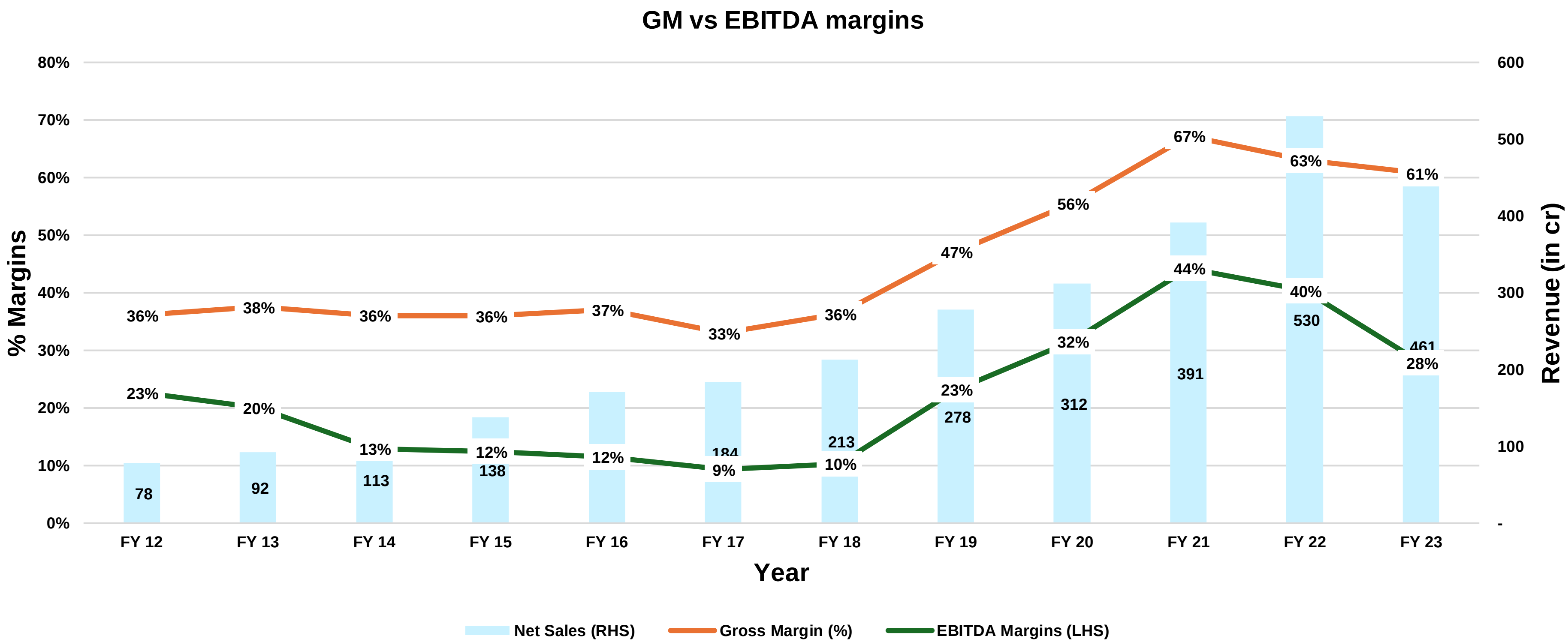
PnL (Rs Cr.)	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Revenue	**92**	**113**	**138**	**171**	**184**	**213**	**278**	**312**	**391**	**530**	**461**
Growth YoY %	*17.7%*	*22.7%*	*21.9%*	*23.8%*	*7.5%*	*16.0%*	*30.5%*	*12.2%*	*25.5%*	*35.5%*	*-13.0%*
Gross Profit	35	41	50	63	61	77	131	173	263	334	280
Gross Margin (%)	***37.5%***	***36.1%***	***36.0%***	***37.0%***	***33.0%***	***36.4%***	***47.1%***	***55.6%***	***67.2%***	***63.1%***	***60.8%***
Contribution	25	33	41	51	45	53	101	145	225	290	227
Contribution Margin (%)	***27.3%***	***29.1%***	***29.4%***	***30.2%***	***24.8%***	***25.0%***	***36.4%***	***46.5%***	***57.6%***	***54.7%***	***49.2%***
Corp Employee Cost	4	7	9	10	13	16	19	26	33	49	56
Other Fixed Cost	10	11	14	21	16	15	18	21	19	27	43
EBITDA	**11**	**15**	**17**	**20**	**17**	**22**	**64**	**98**	**173**	**214**	**128**
EBITDA margin %	***11.9%***	***12.9%***	***12.4%***	***11.5%***	***9.3%***	***10.3%***	***23.2%***	***31.6%***	***44.3%***	***40.4%***	***27.9%***
Growth YoY %	*4.1%*	*-20.6%*	*17.2%*	*14.6%*	*-12.9%*	*28.2%*	*193.5%*	*52.7%*	*76.0%*	*23.6%*	*-40.0%*
Dep & Amortisation	2	2	2	4	5	5	5	6	7	10	12
Finance Cost	5	6	7	10	12	11	10	7	4	4	3
Other Income	3	2	3	3	8	9	9	11	5	8	10
PBT	**8**	**9**	**10**	**8**	**8**	**15**	**58**	**96**	**167**	**207**	**123**
PBT Margins (%)	***8.2%***	***7.7%***	***7.6%***	***5.0%***	***4.5%***	***7.0%***	***20.8%***	***30.9%***	***42.8%***	***39.1%***	***26.8%***
Tax	3	2	2	2	2	6	18	23	44	55	34
Profit share of Associate	-	-	-	-	-	-	-	-	-	-	-
Less: Minority Interest	-	-	-	-	-	-	-	-	-	-	-
Net Profit	**5**	**6**	**9**	**6**	**6**	**9**	**40**	**73**	**124**	**152**	**90**
Net Profit Margin (%)	***5.4%***	***5.7%***	***6.2%***	***3.6%***	***3.2%***	***4.3%***	***14.4%***	***23.6%***	***31.6%***	***28.6%***	***19.5%***

- ✓ **Supriya has done 10 year Revenue / EBITDA / PAT CAGR of 17% / 28% / 34% respectively over FY13-23**
- ✓ **Even assuming both the highs of FY21/FY22 (40%+ margins), and the lows of FY23 (sharp drop in profits) are more in line of one-offs; 7 year CAGR over FY13-20 is 19% / 37% / 47%**

Source: Numbers from Ace / Screener / Bloomberg. Our observations from Supriya Life filings / concalls, sell side views, publicly available info, internal research.

One of the biggest positives for me in the poor numbers of FY23 – gross margin remained resilient despite complete stoppage of supplies of highest margin product…

Supriya Life – revenue build-up vs profitability build-up



- ✓ Supriya's EBITDA margins moved up from 10% in FY18 to 44% in FY21 before coming down to 28% in FY23. In the same period gross margins moved from 36% to 67%, before stabilizing at ~60-61%
- ✓ The relatively small drop in FY23 margin over FY22 despite stoppage of CPM sales to China – shows the one off nature of the issue; it did not affect the other products / business. Also shows that current gross margin profile is sustainable
- ✓ Also, EBITDA margins at 28-30% in a bad year / low cycle; most companies will be happy to take it!
- ✓ Sharper dip in EBITDA in FY23 can be attributed to higher logistics and fuels costs (should revert to mean), high maintenance costs (do not look recurring in nature), high other costs (including some IPO expenses taken, legal & professional fees) and some operating deleverage (as revenue tapered off in FY23 due to CPM related issues)

Source: Numbers from Ace / Screener / Bloomberg. Our observations from Supriya Life filings / concalls, sell side views, publicly available info, internal research.

Also, Supriya's high absolute Gross / EBITDA margins is not unthinkable in backward integrated API players

Supriya Life vs few established API peers

Avg. gross margins >60%; EBITDA margins ~30-40%

Avg. gross margins ~56%-58%; EBITDA margins ~30-32%

Est. EBITDA margins (API) ~28-30%

- ✓ **Rather than assuming Supriya's FY18 to FY21 scale-up as a one-off; I would prefer to reason out that they have just entered the league of highly profitable and fast growth API franchises. All the examples given above are top class API businesses and have consistently maintained superior core business margins / ROCEs**

Source: Numbers from Ace / Screener / Bloomberg. Our observations from Supriya Life and competitor filings, publicly available info, internal research. Data is representative and non exhaustive

And neither is such fast pace of margin expansion unprecedented in the API / Chemical universe…

Supriya Life vs few established API / Chemical peers – EBITDA margin expansion by >1500bps

>1500bps EBITDA margin change (with starting margin as >0)

1. Vinati - June'14 (20%) to Jun'16 (37%); Dec'17 (27%) to Sept'19 (42%)
2. Navin Fluorine - Jun'14 (11%) to Sept'16 (38%)
3. Deepak Nitrite - June'18 (11%) to Mar'21 (31%)
4. Aether - 2017 (10%) to 2021 (25%)
5. Clean Science - 2018 (30%) to 2021 (51%)
6. Alkyl Amine - 2019 (19%) to 2021 (35%)
7. Sadhana Nitro - 2016 (5%) to 2019 (45%)
8. Gujarat Fluorochem - 2020 (16%) to 2023 (35%)

✓ **Fast pace of margin expansion has often been considered a positive and richly rewarded by investors (Aether, Deepak Nitrite, Clean Science can be considered as few examples). Why should it be otherwise for Supriya Life??**

Source: Numbers from Ace / Screener / Bloomberg. Our observations from Supriya Life and competitor filings, publicly availabl e info, internal research. Data is representative and non exhaustive

Time for a small experiment…

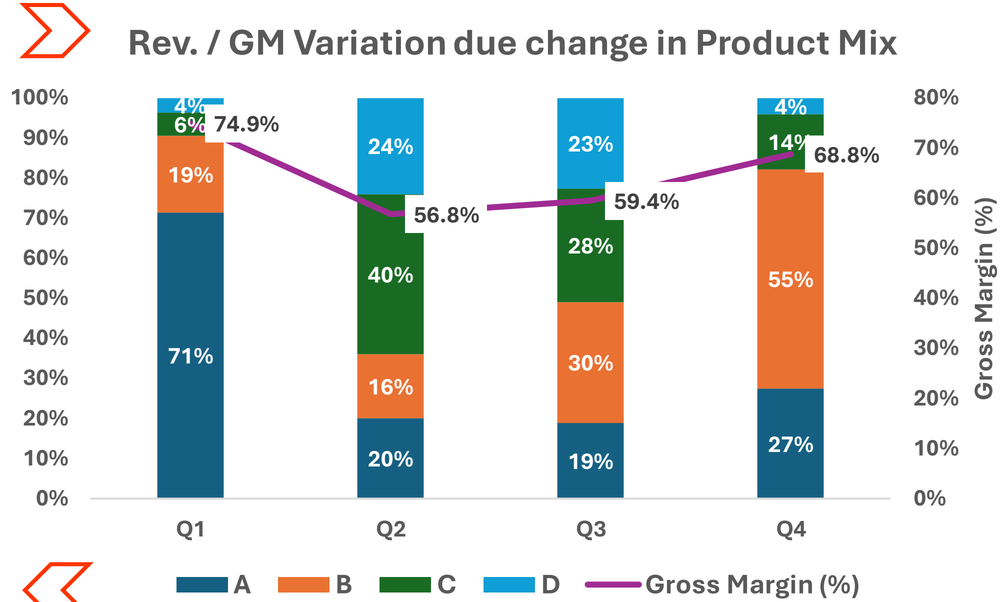
A lot of questions have been raised on Supriya Life's capacity utilization. We believe this small experiment with 4 fictitious products, should address the issue once and for all!

Quarterly skew of profitability vs capacity utilization

1. We take 4 products, equal tonnage sold through the year, but differently skewed by quarter
2. Assumption of significantly different realizations / gross margins for these products (to mimic possible real life situation in Supriya)
3. We observe the resultant distribution of revenue and gross profit, and consequent gross margin, for a set of 4 quarters

	Core product characteristics			Volume (in Tons)				Revenue (Rs cr)				Gross Profit (Rs cr)			
Product	**Sale (Ton)**	**Price/kg**	**GM%**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
A	1,000	1,000	80%	600	100	100	200	60	10	10	20	48	8	8	16
B	1,000	800	70%	200	100	200	500	16	8	16	40	11	6	11	28
C	1,000	500	50%	100	400	300	200	5	20	15	10	3	10	8	5
D	1,000	300	40%	100	400	400	100	3	12	12	3	1	5	5	1
TOTAL				**1,000**	**1,000**	**1,000**	**1,000**	**84**	**50**	**53**	**73**	**63**	**28**	**32**	**50**

Sales Index	**Volume Distribution %**				
Product	**Q1**	**Q2**	**Q3**	**Q4**	
A	*60%*	*10%*	*10%*	*20%*	***100%***
B	*20%*	*10%*	*20%*	*50%*	***100%***
C	*10%*	*40%*	*30%*	*20%*	***100%***
D	*10%*	*40%*	*40%*	*10%*	***100%***
	100%	***100%***	***100%***	***100%***	



- ✓ Skewed realizations in individual products can sharply impact revenue / gross margin profile across quarters
- ✓ In the example above, gross margin swings across quarters are extreme from 56.8% to 74.9%
- ✓ Despite such sharp revenue / profit swings, asset utilization (tonnage) is constant across all 4 quarters

Representative data to mimic real life situation. Does not include any real product level details

Supriya mgmt. has highlighted the same in multiple earnings calls about the irrelevance of quarterly capacity utilization to overall ability to scale-up

Supriya Life vs few established API / Chemical peers – EBITDA margin expansion by >1500bps

11th Nov' 2022 – Q2 FY23 Concall

Question on capacity utilization: Revenue depends on what kind of products are sold!

Naresh Vaswani: So, on the revenue side, while you have mentioned that you have been impacted because of lockdowns in China, I want to get some more detail regarding this, how is it exactly impacting you and by which ports do you supply in China, how do you see this situation because you mentioned that you expect to recover the lost sales, but then these products would be seasonal in nature, so how do you plan to recover that? Second, if I look at the other therapies, apart from the Antihistamine, those have also been tepid year-on-year and now given that you had guided for a 25% sort of revenue run rate, how the first half we have seen a decline of 6%, so what will be your revised guidance for the FY23? And third is, your capacity utilization, you have mentioned that it is 72%, given that you have lost production and also you had a new block this year, how can it be 72% because if you have not reduced and your inventories are also flat from the March quarter, so shouldn't this utilization be much lower?

Reply from management:

Second, as far as capacity utilization is concerned, you mentioned that we are still at 72%. What has happened is that we have a multiproduct facility and what has happened in this particular quarter is that whichever campaigns were planned, these were the kind of products which are not very high contributors to margin or revenue, but these are the kind of product which have a longer cycle time, so while effectively you have not seen much distribution in the revenue as well as in margins, the fact is that the occupancy of these products in the plant has been there. For the first 6 months, we have produced about 372 metric ton of material which is a very large volume and that is why the capacity utilization still is at 72%. In the next few quarters, when the high margin product demand picks up and these products don't necessarily have a very long cycle time, you might see that even with the poor capacity utilization, we were able to generate higher margins and higher revenues. So, it is very product specific, I would say, in a multiproduct facility.

4th August 2023 - Q1 FY24 Concall

Management re-iterates that Revenue depends on product mix and type of markets where it is generally sold:

Tushar Bohra: Congratulations to the management for very good set of numbers. So just a quick clarification, as you had mentioned in the previous calls as well, the utilization when we say 70% is typically volume based and depending on the product mix, some of your products being very high margin, the absolute revenue figures can be dramatically different across quarters, right, so we have achieved Rs. 180 crores or so in one of the quarters in the past, so it is fair to say that the utilization level will not be a constrained for revenue given the product mix changing to more favorable product or the higher margin product?

Saloni Wagh: Yes, absolutely. Depending on the product mix and the geography mix also, in fact, we can achieve much higher numbers from the same capacity. Also, capacity has never been or in fact going forward will also never be bottlenecked for us or our growth.

Tushar Bohra: And the capacity that is being added also since you have incrementally a lot more traction coming in from regulated markets, maybe beginning this year or next plus as well as the management has guided that the CMO projects or CDMO projects will essentially be similar or higher margin than the base, so is it fair to assume that the asset turn that we are guiding at 2 to 2.25 is slightly on the conservative side and aspiration should be for higher because historically you maintain more than 3x asset turn quite comfortably across few years?

Krishna Raghunathan: Correct, Tushar. The only thing why we want to be a bit on the lower side is like what Dr. Saloni has already said it will take 2 to 2.5 years to fully, what you call optimally use the site at say 70% to 75%, See, when you are looking at 70% to 75% utilization levels, that is where your 2.5x to 3x whatever you are saying is going to come, so that is the only what do you call thought difference which you and me are having, that is all, nothing beyond.

Tushar Bohra: So let us say whatever is your existing capacity, whenever it gets optimally utilized and with a reasonably good balance of regulated markets to semi-regulated, 3x is closer to what we should assume right rather than 2x?

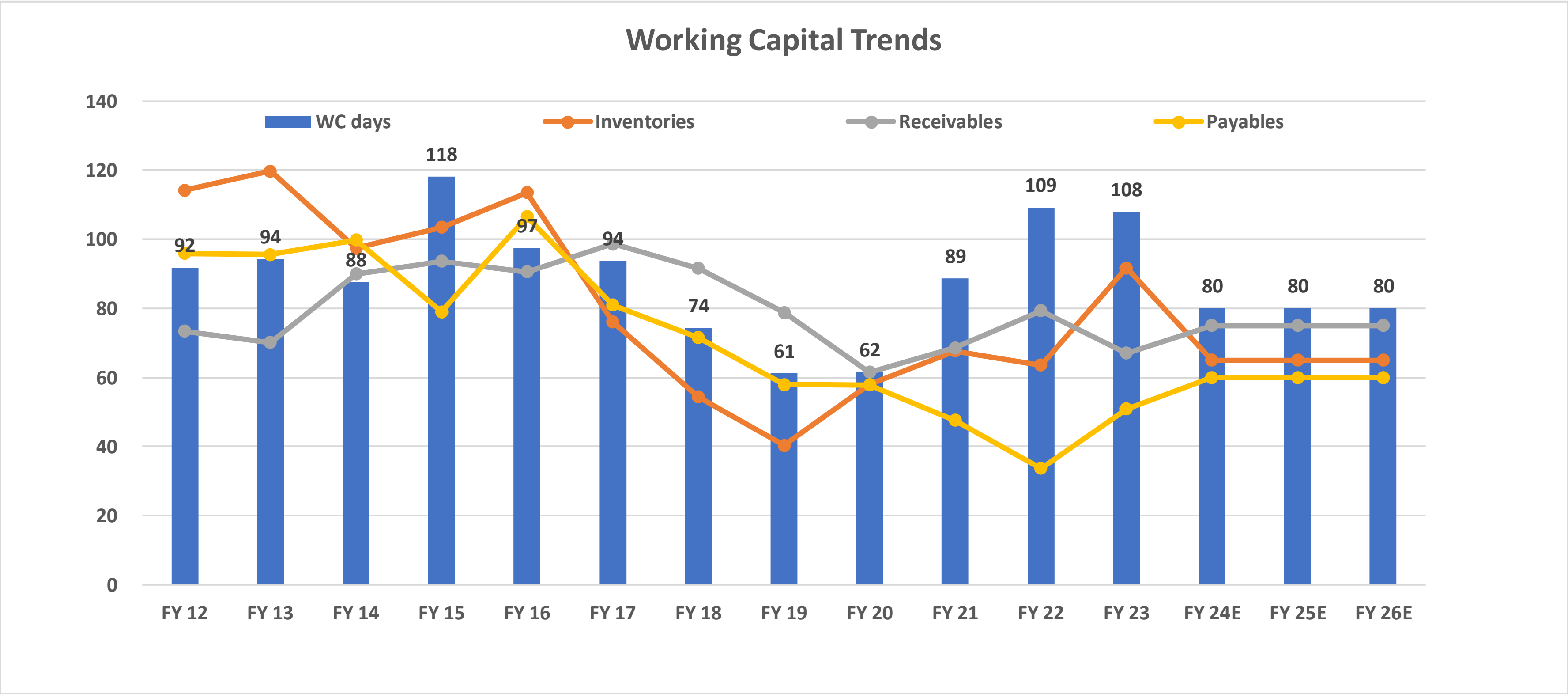
Krishna Raghunathan: Yes, pretty much, you are right.

✓ **Management has been consistent (although sometimes confusing) in their explanation of why capacity utilization cannot be looked at in isolation without considering the kind of products being taken up in the quarter. Few prod. being much higher (or lower) realization can swing the revenue (and profits) dramatically which cannot always be captured in capacity utilization**

Source: Numbers from Ace / Screener / Bloomberg. Our observations from Supriya Life and competitor filings, publicly available info, internal research. Data is representative and non exhaustive

Working Capital – Supriya's WC is well in line with peers, and keeping in mind the changing dynamics of the API business. Any concerns regarding the same are unfounded

Supriya Life – Working Capital Trends



- ✓ On absolute basis, ~108 days working capital does not look stretched, neither is it out of place with the industry trend (given the need to maintain higher inventory amidst logistics related challenges and supply security).
- ✓ We also compared Supriya's working capital cycle with that of peers in similar line of business (largely APIs) and high level of backward integration and found it to be reasonably similar (and in some cases much lower).
- ✓ The temporary spurt in FY22/23 can be attributed more to the post Covid global supply chain issues and we think WC will normalize to ~80-90 days

All ratios calculated as % of revenue. In WC, "other current assets" is adjusted for the advance payment made for Isambe capex land, which is currently sitting in OCA instead of CWIP. Source: Numbers from Ace / Screener / Bloomberg, data from co. filings and ppts. FY24-26E are based on our internal calculations / assumptions

Key growth triggers –Supriya has multiple triggers in place to take care of next 3-4 years of growth, while simultaneously bringing down product concentration sharply.

Supriya Life – Few imminent growth triggers

1. **Ramp-up in existing core products:**
   a) **Ketamine – is being trialled for multiple new indications and is also growing in existing therapies.**
   b) **Salbutamol – growth to be driven by increasing scale in EU and subsequently US.**
   c) **CPM – optionality that China growth and margins may come back**

2. **New Products – atleast 5-6 launches in US / EU by FY26, and a large number of new products to be introduced in semi regulated markets. Also registrations underway in China**

3. **Region specific - Latin America – meaningful growth driver in next 3 years**

4. **CDMO / CMO contracts – DSM contract to be a 500Cr.+ contract (est.) over next 10 years, peaking at 60-70 Cr. annually. Also the new product CDMO opportunity signed this quarter**

5. **Optionality through nutrition based products like Whey Protein, plus cosmeceuticals (they may branch out in this area I feel)**

6. **University tie-ups for further IP based projects**

Source: Our observations from Supriya Life's filings and earnings calls, media interactions

Continuous focus on execution and capitalizing on the opportunities at hand, should see a steady 25% PAT CAGR for Supriya over next 2 (and maybe next 3 years), with possibility to surprise on the upside

Supriya Life – brief near term projections for key metrics

Rs. Cr.	Fy24	Fy25	Fy26	2Y CAGR
Revenue	571	685	839	21%
EBITDA	165	195	258	25%
EBITDA Margins	28.9%	28.6%	30.7%	
PAT	114	134	177	25%
Networth	814	947	1,124	18%
Net debt	-221	-283	-406	
FCF	80	63	123	

Source: estimates based on internal research, estimates derived from management guidance given in earnings calls / media interactions.

Why we like the company?

Putting it all together…a simple scorecard to understand the business

We tested our intuitive understanding of Supriya's business model and strengths through a simple but practical framework…

Supriya Life – Business scorecard (1/2)

Parameter	Score	Remarks
Management / Business Quality		
Need for Equity Dilution	**Very Good**	High promoter holding; no need to dilute further
Guidance vs achievement (consistency)	**Good**	No case of mis-selling, management is bullish about future prospects but measured in guidance
FCF generation history	**Good**	+FCF through earlier years (FY23 negative due to high but planned capex)
Wealth creation history	**NA**	Limited track record to judge
Super active in equity markets	**Good**	Limited promoter activity, no pledge, no reason to believe manipulation
Promoter holding (less thn 40 pct is bad)	**Very Good**	Promoter holding at ~68%
Focus on other nonlisted businesses	**Very Good**	No major listed / non-listed businesses in related (or unrelated) spaces
Any past actions of corporate governance	**Good**	Limited precedence; no reason to believe corporate governance issues post listing
Any stressed group co and related ICDs	**Very Good**	No ICDs or loans to group companies
High related party transactios	**Very Good**	Insignificant related party txn, fully accounted for
High presence of intangibles / writeoffs / exceptionals	**Very Good**	No intangibles, no inorganic acquisitions, no writeoffs / exceptionals

Accounting Practices		
Receivables (WC) compared to industry benchmark	**Very Good**	WC days largely in line with industry average (and better compared to many larger peers in same space)
Cash Yields	**Good**	Cash yields seem satisfactory (interest income / cash on books); no major concerns
Debt Consolidation	**Very Good**	No issue on this front. Company is debt free, and has no subsidiaries
Tax Rate (whether consistently low)	**Very Good**	Tax Rate is good and consistent with expectations
High other assets on Balance sheet	**Good**	Very good but for land bought in Esambe (MIDC) for future expansion (sitting in Other Curr. Assets)
Cash conversion (CFO/EBITDA)	**Good**	CFO/EBITDA > 50% consistently. No reason to believe corp. governance / capital allocation issue

Leverage		
Debt to equity < 2x	**Very Good**	No debt on books. Net cash company, rising cash
Debt servicing capability	**Very Good**	Not applicable as no debt; highly profitable business with strong ratios
Visibility of debt reduction	**NA**	Not applicable as no debt
Corporate guarantees	**Very Good**	No significant corporate guarantees of any kind
Subsidiary level debt whether being consolidated	**Very Good**	No subsidiaries, no debt

Internal Scorecard; based on publicly available data / co. filings; views personal and for reference only

And the results seem consistent with our understanding

Supriya Life – Business scorecard (2/2)

Return Ratios - Last 3 years		
ROCE above 10 pct	**Very Good**	Even in a bad year (FY23), ROCE was ~18%. Business model robust to sustain 20%+ ROCE for long
ROE above 10 pct	**Good**	ROE also good over long period (last 5-6 years+) and expected to improve further over next 2 years

Sector Outlook		
Is the business scalable & Visibility of earnings	**Very Good**	Business is highly scalable; multiple product triggers / new revenue streams
Current stage of business cycle	**Good**	After a poor FY23 (largely due to a specific externality), FY24 much stronger; next 3 years look good
Macro thematic/alignment	**Very Good**	Rising importance of API segment in pharma, govt. support, China+1, import substitution, EU+1

Valuations		
PE - Are we playing for value or growth?	**Very Good**	Profits can double (or more) in 3 years plus good rerating potential exists. Both value & growth
EV/EBITDA	**Good**	FY26 est. EV/EBITDA ~10, much lower than most peers despite better growth profile

Technical and Behavioural Factors		
Share pledge - leverage at promoter level	**Very Good**	No promoter holdings pledged
Institutional Holding	**Moderate**	Few major insti holdings, most large selling over, several anchors still invested 2 years post IPO
Free float available	**Good**	Free float available is balanced, not too low or high; public holding ~22%
Analyst Coverage	**Moderate**	Very few analysts cover Supriya Life, mainly due to low size & initial post listing performance volatility. However +ve feedback from analysts who recently met them, + rising perf. Visibility

Qualitative		
Perception Gaps / Optionality	**Strong rerating candidate**	Perception is this is an average business with lot of volatility and people doubt historical performance. Our analysis clearly suggests otherwise. Strong margin of safety on valuations

Internal Scorecard; based on publicly available data / co. filings; views personal and for reference only

Key Risks / Concerns / Monitorables

- How do they perform in scaling up new products in regulated markets
- Whether they can scale up the CDMO / CMO business successfully – can be big trigger for both earnings and valuations
- Changes in senior level personnel. In our view, eventually the promoter is likely to hand the reigns completely to 2nd generation; and which will be a positive in our view
- Ability to maintain margins above 30% (and possibly to increase it again)
- What management does with free cash and whether there are any liquidity events (capital raise / stake dilution etc.)
- Whether they go for any inorganic acquisition (could be taken positively)
- Any issues that may come up in existing core products (like what happened with CPM earlier)
- Potential Regulatory issues

Source: Secondary Research, Publicly available info, company filings, internal research

Thank You