February 06, 2025

Supriya Lifescience Ltd.: Ratings reaffirmed; rated amount enhanced and outlook revised to Positive

Summary of rating action

Instrument#	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund-based cash credit	-	74.00	[ICRA]A (Positive); reaffirmed & outlook revised to Positive from Stable and assigned for enhanced amount
Long term Interchangeable cash credit	-	(11.00)^	[ICRA]A (Positive); reaffirmed & outlook revised to Positive from Stable and assigned for enhanced amount
Short term fund based working capital limits	-	(34.00)^^	[ICRA]A1; reaffirmed and assigned for enhanced amount
Short term fund based working capital limits	-	30.00	[ICRA]A1; reaffirmed and assigned for enhanced amount
Short term non fund based working capital limits	-	(19.00)^^^	[ICRA]A1; reaffirmed and assigned for enhanced amount
Short term non fund based working capital limits	-	10.00	[ICRA]A1; reaffirmed and assigned for enhanced amount
Short-term fund-based – post shipment credit (PSC)	43.00	-	-
Long-term fund-based – cash credit	(30.00) *	-	-
Short-term fund-based – packing credit	(30.00)*	-	-
Short-term non-fund based – letter of credit (LC)	26.00	-	-
Short-term non-fund based – letter of credit (Inland)	(20.00)**	-	-
Short-term non-fund based – buyer's credit	(25.00)**	-	-
Short- term non-fund based – bank guarantee	1.00	-	-
Total	**70.00**	**114.00**	

#Instrument details are provided in Annexure I
**Sublimit of PSC*
***Sublimit of LC*
^ sublimit of short-term fund based working capital limits
^^sublimit of fund-based cash credit limits
^^^sublimit of short-term fund based working capital limits

Rationale

The revision of the outlook on the long-term rating of Supriya Lifescience Ltd. (SLL) factors in its healthy revenue growth and improvement in its operating profit margin (OPM) in FY2024 and 9M FY2025, as well as ICRA's expectations of sustenance of a similar momentum over the near-to-medium term. In Q3 FY2025, SLL increased its manufacturing capacity to a reactor capacity of 932 kl per day from 579 kl per day through the commissioning of Module E at Lote Parshuram, Maharashtra. The expected commissioning of the facility at Ambernath, Maharashtra in Q4 FY2025 shall further increase the capacity to over 1,000 kl per day. A steady ramp-up of operations in these facilities is expected to support the growth of SLL's revenues and internal accruals over the medium term.

The ratings continue to draw comfort from the extensive experience of SLL's promoters of over three decades in the API industry, its backward integrated operations and its strong foothold in the domestic as well as international markets, being the largest exporter of chlorpheniramine maleate, ketamine hydrochloride and salbutamol sulphate from India. SLL's revenues are well-diversified among regulated (Europe and North America) and semi-regulated (Asia and Latin America) markets with a strong presence in Europe. Moreover, its financial profile also continues to remain comfortable, marked by healthy OPM and internal accruals, the absence of external debt (except lease liability of Rs. 5.5 crore) as on September 31, 2024, and a strong liquidity position.

The ratings are, however, constrained by SLL's moderate though growing scale of operations and its presence in mature therapies, exposing it to competition from its peers. Moreover, SLL's top three molecules continue to generate over 55% of its revenues. However, comfort can be drawn from its continued efforts towards diversifying its product portfolio, which has reduced its product concentration over the past two years. Moreover, SLL's continued initiatives like its association with a leading European company and the US-based Plasma Nutrition, for production and supply of APIs and protein powders, respectively, exploration of other contract manufacturing opportunities and expectations of the addition of 3-4 new active pharmaceutical ingredients (APIs) to its portfolio every year are expected to further diversify its product portfolio over the near-to-medium term.

The company also continues to have a high working capital intensity marked by elevated inventory levels, however, comfort can be drawn from its strong liquidity position. SLL's profitability is also exposed to volatility in raw material prices, which has impacted its OPM in the past. Moreover, considering its strong presence in regulated markets, including Europe and North America, the company continues to be exposed to regulatory risks arising out of scrutiny from various regulatory agencies like the United States Food and Drug Administration (US FDA) and the European Directorate for the Quality of Medicines and Healthcare (EDQM).

Key rating drivers and their description

Credit strengths

Experienced promoters and backward integrated business model – SLL's founder and Executive Chairman, Dr. Satish Wagh, has an experience of over three decades in the API industry. Benefitting from his experience, SLL has been able to maintain its position in the domestic and international markets as the largest exporter of chlorpheniramine maleate, ketamine hydrochloride and salbutamol sulphate from India.

Established presence with high market share in key molecules – SLL has a portfolio of more than 40 APIs with chlorpheniramine maleate, ketamine hydrochloride and salbutamol sulphate being its key molecules, wherein it is the largest exporter from India. This has been supported by its strong manufacturing setup with its manufacturing facility approved by major regulatory authorities like the US FDA and EDQM, enabling SLL to maintain a strong export presence and command a price premium over its peers, leading to better margins.

Geographically diversified revenues from multiple countries – SLL is geographically well-diversified with operations spanning across more than 120 countries and exports generating 75-85% of its revenues over the years. In the last few years, the company has been able to reduce its concentration on particular markets while increasing its presence in regulated markets, especially in Europe. In 9M FY2025, Europe was SLL's largest market, contributing 43% to its revenues followed by Asia (32%), Latin America (17%), North America (4%) and other geographies (4%). The company continues focussing on increasing its geographical diversity and while Europe is expected to remain its key market, revenue from Latin America and North America is also expected to grow in the future.

Comfortable financial profile — SLL has a comfortable financial profile, characterised by healthy OPM leading to robust cash accrual generation and minimal dependence on external debt. The company registered an OPM of 30.2% in FY2024 and 37.7% in 9M FY2025 and is expected to continue generating a healthy OPM of ~30% over the medium term, impacted slightly due to the recent commissioning of its manufacturing facility. However, it shall continue to benefit from its backward-integrated business model, with 77% of its Q3 FY2025 revenue being generated from backward-integrated products. Further, it has minimal dependence on external debt with no external debt (except lease liability of Rs. 5.5 crore) as on September 30, 2024 leading to strong leverage (TOL/TNW of 0.1 times) and coverage (interest coverage of 167.0 times in H1 FY2025) indicators. Going forward, SLL's financial profile is expected to remain comfortable, supported by healthy internal accrual generation, net debt-free status and a strong liquidity position.

Credit challenges

Moderate scale of operations in an intensely competitive segment within pharmaceutical APIs – SLL's scale of operations remains moderate relative to the size of the industry despite healthy growth in its revenue over FY2024 and 9M FY2025, leading to a revenue of Rs. 512.4 crore in 9M FY2025. Further, the domestic industry is characterised by intense competition from numerous organised and unorganised players, leading to challenges in growth of sales via new product launches or penetration into existing markets. Nonetheless, SLL's ability to continue to grow at a healthy rate will drive benefits related to economies of scale.

Presence limited to molecules in mature therapies with higher product concentration – SLL manufactures a basket of more than 40 APIs, and despite the reduction in the contribution from its top 10 molecules over the last few years, its product concentration remains relatively high among relatively mature therapies, including anaesthetics and antihistamines. Its top three molecules—ketamine hydrochloride, chlorpheniramine maleate and salbutamol sulphate continue to account for more than 55% of its revenues. Nonetheless, SLL's continued focus on new product development with an expected launch of 3-4 products every year in addition to opportunities in contract manufacturing is expected to support its product diversification over the medium-to-long term.

Working capital-intensive nature of operations owing to high inventory and receivable levels – The working capital intensity for SLL has been relatively high, with NWC/OI of 43% in FY2024 and 50% in FY2023. This is largely attributable to its higher inventory levels of 150-160 days maintained on account of its diversified geographical presence and to mitigate any supply chain issues. However, the high working capital intensity is partly mitigated by SLL's strong liquidity position and the company has been able to run its operations without tapping into its fund-based working capital limits.

Profitability remains exposed to fluctuations in raw material prices and regulatory risks – The company's profitability remains vulnerable to fluctuations in raw material prices and realisations of its finished products, which results in volatility in its profitability. Moreover, SLL's operations also remain exposed to risks of scrutiny by regulatory agencies like the US FDA and EDOM, among others and it also remains vulnerable to any regulatory changes impacting its business or the industry.

Environmental and social risks

Environmental considerations – SLL does not encounter any major climate risk. However, it remains exposed to tightening environmental regulations regarding the breach of waste and pollution norms, which can lead to an increase in operating costs and new capacity instalment costs. This can also require capital investments to upgrade its effluent treatment infrastructure to reduce its carbon footprint and waste generation. SLL has also invested in a large capacity effluent treatment plant and installed an online treated water monitoring system, centrally monitored by a Government authority. It has also increased its share of renewable energy by investing in a solar energy project.

Social considerations – SLL faces high, industry-wide social risks related to product safety and its associated litigation risks, access to qualified personnel for R&D and process engineering, as well as for maintenance of high manufacturing compliance standards. Further, Government interventions related to price caps/controls also remain a social risk for entities in the pharmaceutical industry.

Liquidity position: Strong

SLL has a strong liquidity profile, supported by healthy cashflow from operations, free cash and cash equivalents of Rs. 84.3 crore, liquid investments of Rs. 72.5 crore and unutilised working capital limits of Rs. 71.0 crore as on September 30, 2024. The company has no outstanding term loans, and its expected capex of Rs. 100-150 crore per annum over the next two years can be largely funded through internal accruals.

Rating sensitivities

Positive factors – SLL's ratings could be upgraded if the company demonstrates healthy growth in scale of operations while maintaining its profit margins and efficiently managing its working capital requirements, resulting in a strong liquidity profile.

Negative factors – The outlook on the rating could be revised to Stable or the ratings could be downgraded, if there is any considerable decline in revenue and earnings and increase in working capital intensity of operations, exerting pressure on its liquidity profile. Moreover, any increase in debt levels leading to a deterioration in capital structure and credit metrics will also exert pressure on the ratings. Specific credit metric for downgrade is total debt/OPBDITA of more than 1.8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Established in 1987 as a partnership concern named, Supriya Chemical, it was reconstituted as a closely held public limited company in 2008 and renamed as Supriya Lifescience Ltd. It manufactures and exports APIs and has a manufacturing unit in the Ratnagiri district of Maharashtra, with its present reactor capacity of 932 kl per day. The company has its own R&D unit at the manufacturing site, recognised by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India. The company holds WHO GMP, EDQM, US FDA and many other certifications for manufacturing various APIs. SLL's product portfolio includes more than 40 APIs that address remedies in therapeutic segments like antihistamines, analgesics, vitamins, anaesthetics and anti-asthmatics, among others. The company has a global footprint across more than 120 countries. SLL was listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in December 2021.

Key financial indicators (audited)

SLL - Standalone	FY2023	FY2024	H1 FY2025
Operating income	456.4	565.3	326.7
PAT	89.9	119.1	90.8
OPBDIT/OI	27.2%	30.2%	38.9%
PAT/OI	19.7%	21.1%	27.8%
Total outside liabilities/Tangible net worth (times)	0.2	0.1	0.1
Total debt/OPBDIT (times)	0.2	0.0	0.0
Interest coverage (times)	40.3	33.2	167.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022	
		Amount Rated (Rs Crore)	Feb 06, 2025	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long Term	74.00	[ICRA]A (Positive)	-	-	-	-	-	-
Cash credit	Long Term	(11.00)	[ICRA]A (Positive)	-	-	-	-	-	-
Fund based/ non fund based working capital limits	Short Term	(34.00)	[ICRA]A1	-	-	-	-	-	-
Fund based working capital limits	Short Term	30.00	[ICRA]A1	-	-	-	-	-	-
Non fund based working capital limits	Short Term	(19.00)	[ICRA]A1	-	-	-	-	-	-
Non fund based working capital limits	Short Term	10.00	[ICRA]A1	-	-	-	-	-	-
Cash credit	Long Term	0.00	-	10-NOV-2023	[ICRA]A (Stable)	26-SEP-2022	[ICRA]A (Stable)	13-MAY-2021	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING
								08-JUN-2021	[ICRA]BBB+ (Stable)
								26-JUL-2021	[ICRA]A- (Stable)
Post shipping credit	Short term	0.00	-	10-NOV-2023	[ICRA]A1	26-SEP-2022	[ICRA]A1	13-MAY-2021	[ICRA]A2 ISSUER NOT COOPERATING
				-	-	-	-	08-JUN-2021	[ICRA]A2
				-	-	-	-	26-JUL-2021	[ICRA]A2+
Packing credit	Short term	0.00	-	10-NOV-2023	[ICRA]A1	26-SEP-2022	[ICRA]A1	13-MAY-2021	[ICRA]A2 ISSUER NOT COOPERATING
				-	-	-	-	08-JUN-2021	[ICRA]A2

		Current (FY2025)		Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Feb 06, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
				-	-	-	-	26-JUL-2021	[ICRA]A2+
Letter of credit	Short term	0.00	-	10-NOV-2023	[ICRA]A1	26-SEP-2022	[ICRA]A1	13-MAY-2021	[ICRA]A2 ISSUER NOT COOPERATING
				-	-	-	-	08-JUN-2021	[ICRA]A2
				-	-	-	-	26-JUL-2021	[ICRA]A2+
Letter of credit (inland)	Short term	0.00	-	10-NOV-2023	[ICRA]A1	26-SEP-2022	[ICRA]A1	13-MAY-2021	[ICRA]A2 ISSUER NOT COOPERATING
				-	-	-	-	08-JUN-2021	[ICRA]A2
				-	-	-	-	26-JUL-2021	[ICRA]A2+
Buyer's credit	Short term	0.00	-	10-NOV-2023	[ICRA]A1	26-SEP-2022	[ICRA]A1	13-MAY-2021	[ICRA]A2 ISSUER NOT COOPERATING
				-	-	-	-	08-JUN-2021	[ICRA]A2
				-	-	-	-	26-JUL-2021	[ICRA]A2+
Bank guarantee	Short Term	0.00	-	10-NOV-2023	[ICRA]A1	26-SEP-2022	[ICRA]A1	-	-
Bank guarantee	Short Term	0.00	-	-	-	-	-	13-MAY-2021	[ICRA]A2 ISSUER NOT COOPERATING
								08-JUN-2021	[ICRA]A2
								26-JUL-2021	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based - cash credit	Simple
Long term Interchangeable cash credit	Simple
Short term Interchangeable working capital limits	Simple
Short term fund based working capital limits	Simple
Short term Interchangeable working capital limits	Very simple
Short term non fund based working capital limits	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash credit**	NA	NA	NA	74.00	[ICRA]A(Positive)
NA	**Interchangeable cash credit**	NA	NA	NA	(11.00)^	[ICRA]A(Positive)
NA	**Short term fund based working capital limits**	NA	NA	NA	(34.00)^^	[ICRA]A1
NA	**Short term fund based working capital limits**	NA	NA	NA	30.00	[ICRA]A1
NA	**Short term non fund based working capital limits**	NA	NA	NA	(19.00)^^^	[ICRA]A1
NA	**Short term non fund based working capital limits**	NA	NA	NA	10.00	[ICRA]A1

Source: Company

^ sublimit of short term fund based working capital facilities

^^sublimit of fund based limits

^^^sublimit of Short term fund based working capital limits

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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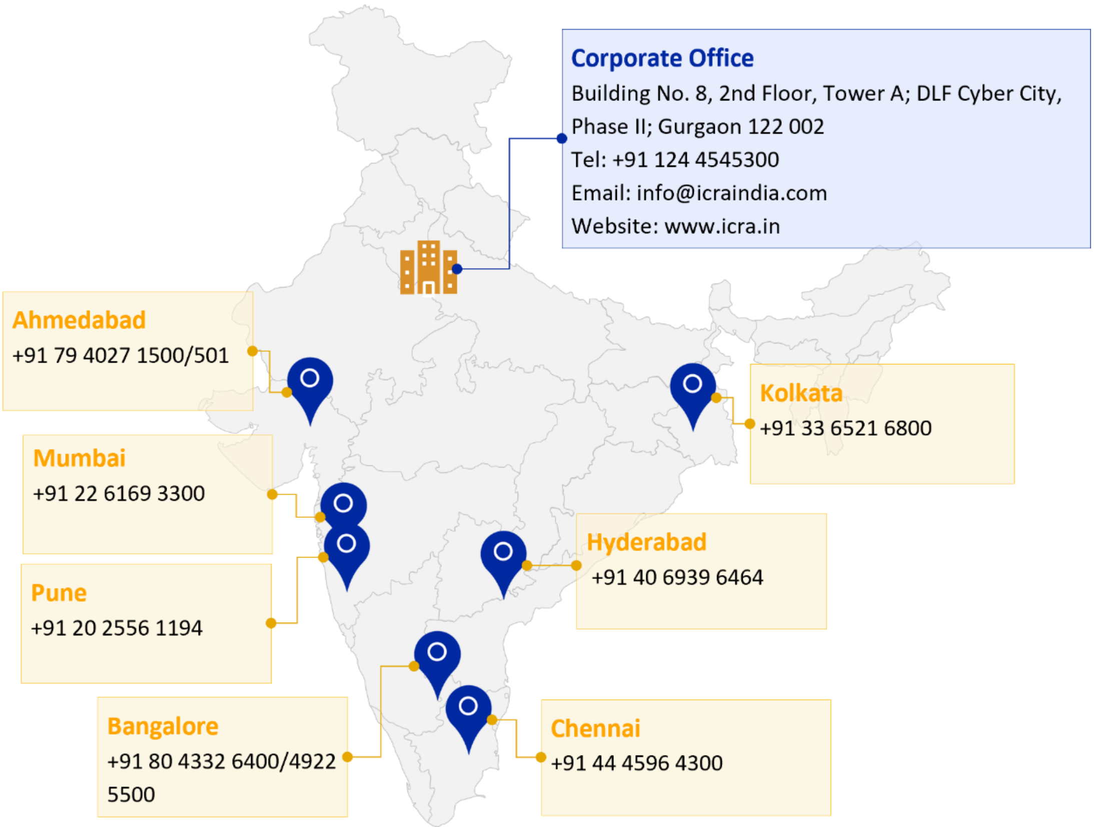

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