

## Serum Institute of India Private Limited

January 03, 2023

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term/short-term bank facilities	105.00	CARE AAA; Stable / CARE A1+ (Triple A ; Outlook: Stable/ A One Plus )	Assigned
Long-term/short-term bank facilities	2,698.00 (Reduced from 3,340.38)	CARE AAA; Stable / CARE A1+ (Triple A ; Outlook: Stable/ A One Plus )	Reaffirmed
Short-term bank facilities	350.00 (Enhanced from 238.92)	CARE A1+ (A One Plus )	Reaffirmed
<b>Total bank facilities</b>	<b>3,153.00</b> <b>(₹ Three thousand one hundred fifty-three crore only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The ratings assigned and reaffirmed to the bank facilities of Serum Institute of India Private Limited (SIIPL) continues to reflect SIIPL's leadership position in the vaccine manufacturing segment, highly experienced and resourceful promoters and professionally qualified management with a proven track record of five decades, its wide geographic presence along-with healthy financial risk profile marked by robust revenues, high operating margins, comfortable gearing levels and healthy liquidity position. It has long-standing affiliations with the international agencies and conformance of its manufacturing facilities with the current Good Manufacturing Practices (cGMP) approved by World Health Organization (WHO). The strengths far outweigh the regulatory risks associated with the global pharmaceutical industry. CARE Ratings Limited (CARE Ratings) has also considered expected moderation in total operating income (TOI) of SIIPL in FY23 as compared with FY22 due to the subsiding of Covid 19 pandemic situation.

### Rating sensitivities

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant and sustained decline in revenue or profitability
- Deterioration in the capital structure beyond 0,50x either due to un-envisaged debt programme or rise in corporate guarantees extended to group companies.
- Any adverse regulatory outcome

### Detailed description of the key rating drivers

#### Key rating strengths

**Highly experienced and resourceful promoters and professionally qualified management:** SIIPL is the flagship company of the Poonawalla group which is promoted by Dr. Cyrus S. Poonawalla. (Padma Bhushan awardee by Government of India in March 2022) who along with his family wholly owns SIIPL through their holding company; Poonawalla Investments and Industries Pvt. Ltd. and through their other step-down subsidiaries and individual holdings. The group's promoters are resourceful and have presence in wide array of businesses ranging from stud farm, real estate, non-banking finance, aviation, pharmaceuticals and special economic zone (SEZ). With a track record of over five decades, SIIPL holds the distinction of being the world's largest vaccine manufacturer by number of doses produced and sold globally which includes Covishield, Polio, Diphtheria, Tetanus, Pertussis, HIB, BCG, r-Hepatitis B, Measles, Mumps and Rubella vaccines. Mr. Adar Poonawalla, the CEO of SIIPL, leads well-defined organisation structure and is supported by qualified and experienced second tier management. This brings in high degree of professional management and operational expertise. Therefore, the knowledge, expertise of the technical team along with the promoters and the reputation and long track record of the company in manufacturing vaccine has been key drivers in the growth of SIIPL.

**Diversified product portfolio in the vaccine segment:** The company's product segments are majorly divided among bacterial vaccines, viral vaccines and recombinant products. The majority of revenue is derived from bacterial vaccines and viral vaccines. However, there are wide number of vaccines within the bacterial and viral segment, which diversifies the product profile of the company. Historically the Company has an export-oriented business with domestic contribution towards usually in

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

the range of 15-20%. However, the contribution of domestic revenue has risen to 80% in FY22 from 40% in FY 21 and 17% in FY20 as a result of SIIPL spearheading the Covid 19 vaccination program in India. In the current pandemic situation, SIIPL commanded almost 79% share of the Government's vaccination program against Covid 19 with 174.52 crore vaccine doses of Covishield out of 220.07 crore total doses being administered as on December 27, 2022. The top 10 export products contributed to 11% of total operating income in FY22 as against 43% in FY21.

**Diversified geographical revenue profile:** Historically the Company has been an export-oriented business. In exports, UNICEF (United Nations Children's Fund) and PAHO (Pan American Health Organization) are its chief customers. UNICEF and PAHO are among the world's biggest buyer and supplier of vaccines by collaborating with developed and developing countries. The top ten customers in FY22 in terms of contribution to export revenue included UNICEF, PAHO and other international health related agencies. However, in FY21 & FY22, the domestic business (primarily the GOI Vaccination Covid 19 program) drove the growth with 40%, 80% and 38% contribution to the total operating income in FY21, FY22 and H1FY23 respectively.

**Strong profitability supported by economies of scale, long term contracts with customers and diversified product profile and limited threat from new entrants:** SIIPL has been enjoying strong profitability margins over the years with PBILDT margin in the range of 54-55%. However, in FY 22 margins further moved up to 68.48%; in spite of a low pricing strategy on Covishield for the domestic market in order to bring the pandemic under control. Profitability is expected to moderate over the near term with benefits of high TOI expected to moderate in FY23 due to tapered contribution of Covid19 vaccines to revenue. Being, the largest producer of vaccines, SIIPL enjoys economies of scale in turn reducing cost of production of each dose. With long standing customers such as UNICEF and PAHO wherein the company enters in contracts of 3 years with fixed prices. This can lead to price risk with regards to any revision in prices by these organizations, post the end of contracts. However, the diversified product profile and its ongoing development of new products shield it from any sharp revision in prices for any vaccine. Further, vaccine manufacturing sector is a highly regulated sector with approvals required from WHO and US FDA (for sale in USA) along with huge capital expenditure and research and development(R&D) spend which limits threat from new entrants. SIIPL has incurred capex of ₹ 1533 crore in FY22. Further capex of approximately ₹ 1451 crore is expected in FY23 to scale up manufacturing capacity.

**Strong financial profile:** SIIPL had a robust net worth at ₹ 32807 crores as on March 31, 2022 on account of large accretion to reserves over the years. The company's TOI registered y-o-y growth of 256% in FY22 to ₹ 25646 crore in FY22 from ₹ 7201 crores in FY21. The strong operating margins in FY22 (PBILDT margin of 68.48% and PAT margin of 43.34%) and retention of profits in the business keeps the net-worth strong providing large cushion in case of any exigency. Also, the company's track record of managing capital expenditure (capex) and working capital management primarily through its own accruals has kept the balance sheet largely unleveraged. Further the company has reported TOI of ₹ 5513 crore and Profit Before tax (PBT) of ₹ 2239 crore for H1FY23. SIIPL has negligible debt and consequently, the company's debt protection metrics are also robust with interest coverage ratio (inclusive of interest on lease liabilities) of 254.52x times and Total Debt/GCA (inclusive of lease liabilities) of 0.05x in FY22. With no envisaged debt funded capex, the company's financial risk profile is expected to remain strong over the medium term.

**Long-standing affiliations with international agencies and quality certifications for its manufacturing facilities:** SIIPL has long-term tie-ups with leading international associations such as WHO (World Health Organization), UNICEF and PAHO. These agreements are long term in nature and signed every year with delivery schedule for the next three years. The existing manufacturing facilities conform to the Good Manufacturing Practice (GMP) requirements approved by WHO, Geneva. Also, the company's manufacturing facilities also comply with USFDA indicating high levels of standards which is important to cater to highly regulated markets of USA and the EU. The company has cGMP compliant manufacturing units spread across 60 acres in Hadapsar and 58 acres in Manjari located Pune. These manufacturing units cater production of vaccines as per the regulations of US and European market. This assists in manufacturing products like DTaP vaccine, pentavalent meningococcal conjugate vaccine, erexproren, HPV vaccine, rBCG (TB and bladder cancer) vaccine, meningitis B, Typhoid vaccine, dengue vaccine, yellow fever vaccine, and certain monoclonal anti bodies (mAB) products.

SIIPL has floated Serum Institute Life Sciences Private Limited (SLS) that is currently engaged in the marketing and distribution of 'Covishield', the COVID-19 vaccine, in India and neighboring countries. 'Covishield' vaccine is being manufactured at SIIPL and has huge demand given the spread of Covid infection in India. SLS has a subsidiary by the name of Serum Life Sciences Ltd.; UK for catering to the services required for making the COVID-19 vaccines available in rest of the world. SIIPL has strategically acquired brownfield projects over the recent past. Bilthoven Biologicals B.V., (BBio) which is a subsidiary of Serum International B.V. and step down subsidiary of SIIPL, has manufacturing plant over 40 acres with an installed capacity of more than to 120 million doses of IPV trivalent vaccines annually located in Netherland. The production facilities are fully compliant with cGMP and biopharmaceutical requirements.

### Liquidity: Strong

SIIPL has a healthy liquid investment portfolio (excluding investments in subsidiaries and associates) to the tune of ₹ 8043 crore as on March 31, 2022 and cash balances of ₹ 953 crore as on March 31, 2022. Further, SIIPL had generated gross cash accruals of ₹ 12673 crores in FY22 and is expected to generate significant gross cash accruals (GCA) in the medium term.

Working capital requirements are largely met through internal accruals leading to negligible utilization of fund-based limits while average month end non-fund based limits utilization stood at 29% over the past 12 months ended October 2022. Against the GCA the company has no term debt obligations at a standalone level. Even after factoring repayments obligations of subsidiaries/associates of SIIPL, the company has healthy cushion available.

### Analytical approach

CARE has taken a standalone approach for SIIPL. However, CARE has also factored in the support extended by SIIPL to the various group entities.

### Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Pharmaceutical](#)

[Policy on Withdrawal of Ratings](#)

### About the company

SIIPL was incorporated in 1966 as a partnership firm and promoted by the Poonawalla Group headed by Dr. Cyrus S. Poonawalla to manufacture life-saving immune-biological, which were in short supply in India and were imported at high prices. The company was reconstituted as a public limited company on May 22, 1984 and named 'Serum Institute of India Limited'. Further, on October 21, 2015, the company was converted to a Private Limited company and its name changed to current name. SIIPL has established itself as one of the world's largest producer of Measles and DTP (Diphtheria, Tetanus and Pertussis) group of vaccines. It is also the manufacturer of CoviShield vaccine against Covid19 in India.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	7,201.00	25,646.00	5513.00
PBILDT	4,256.00	17,562.00	2595.00
PAT	3,890.00	11,116.00	Not available
Overall gearing (times)	0.03	0.02	Not available
Interest coverage (times)	98.98	254.52	47.07

A: Audited, UA: Unaudited

### Status of non-cooperation with previous CRA:

Not applicable

### Any other information:

Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	105.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	2298.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-Short Term	-	-	-	-	350.00	CARE A1+
Non-fund-based-LT/ST	-	-	-	-	400.00	CARE AAA; Stable / CARE A1+

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	2298.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (14-Dec-21)	1)CARE AAA; Stable / CARE A1+ (22-Dec-20)	1)CARE AAA; Stable / CARE A1+ (01-Nov-19)
2	Non-fund-based-LT/ST	LT/ST*	400.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (14-Dec-21)	1)CARE AAA; Stable / CARE A1+ (22-Dec-20)	1)CARE AAA; Stable / CARE A1+ (01-Nov-19)
3	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)Withdrawn (14-Dec-21)	1)CARE A1+ (22-Dec-20)	1)CARE A1+ (01-Nov-19)
4	Fund-based/Non-fund-based-Short Term	ST	350.00	CARE A1+	-	1)CARE A1+ (14-Dec-21)	1)CARE A1+ (22-Dec-20)	1)CARE A1+ (01-Nov-19)
5	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	105.00	CARE AAA; Stable / CARE A1+				

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities - Not applicable**

#### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Fund-based/Non-fund-based-Short Term	Simple
4	Non-fund-based-LT/ST	Simple

#### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

#### Contact us

##### Media contact

Name: Mradul Mishra  
Phone: +91-22-6754 3596  
E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

##### Analyst contact

Name: Naveen Kumar Dhondy  
Phone: 8886097382  
E-mail: [dnaveen.kumar@careedge.in](mailto:dnaveen.kumar@careedge.in)

##### Relationship contact

Name: Aakash Jain  
Phone: +91-8106400001  
E-mail: [aakash.jain@careedge.in](mailto:aakash.jain@careedge.in)

#### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

#### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**