Reliance Life Sciences Private Limited

January 05, 2024

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	1,851.10 (Enhanced from 600.00)	CARE AAA; Stable	Reaffirmed
Short-term bank facilities	348.90 (Reduced from 400.00)	CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Reliance Life Sciences Private Limited (RLSPL) continues to draw significant comfort from its parentage, with 100% ownership of the company being held by the resourceful Reliance group of companies (led by Mukesh Ambani), which has also infused significant unsecured loans in the company. The ratings are further underpinned by the niche nature of its therapeutic products in the life sciences sector, strong market position of its key products in the biopharmaceutical segment, integrated in-house infrastructure and capabilities in Research & Development (R&D), process development, clinical development, manufacturing and marketing, accreditations from national and global agencies as well as various patents held by RLSPL. Furthermore, the ratings continue to draw strength from significant improvement in its scale of operations and profitability during FY23 (refers to the period April 1 to March 31) with continued healthy revenue and profitability witnessed during H1FY24 as well as low dependence on external debt and its strong liquidity.

The above rating strengths are partially offset by the prevalent regulatory risks in both, domestic and international markets, as well as inherently long gestation life cycle of the products dealt by RLSPL, and the risks associated with its large-size planned capex.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Any change in the Reliance (Mukesh Ambani) group's strategy, impacting financial flexibility of the company.
- Any adverse impact of regulatory changes on the operational performance of the company.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has taken a consolidated analytical approach owing to strong financial and operational linkages of RLSPL with its subsidiary, i.e., Reliance Life Sciences Nashik Private Limited (RLSNPL) along-with common management.

CARE Ratings has also factored in the strong linkages of RLSPL with the Reliance group whereby, RLSPL's ratings derive comfort from the resourcefulness, financial strength and flexibility of the ultimate promoter, Reliance Group of companies, led by Mukesh Ambani, with Reliance Industries Limited (RIL) being the flagship company of the group. RLSPL is one of the key ventures of the Reliance Group in the pharmaceutical business segment, whereby, the group has supported its operations and growth plans through infusion of unsecured loans and preference shares. The group has also extended its common corporate brand name "Reliance" to RLSPL. The list of companies getting consolidated in RLSPL is given in **Annexure-6**.

Outlook: Stable

The 'Stable' outlook on the rating reflects that RLSPL being strategically important to Reliance group shall continue to receive financial and managerial support from the group especially during the implementation and stabilisation phase of its capex along-with maintaining its highly comfortable financial risk profile and liquidity position.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers

Key strengths

Strong promoter group (Reliance, Mukesh Ambani Group) with demonstrated support which is likely to sustain
RLSPL is an initiative of the Mukesh Ambani-led Reliance group of companies. The Reliance Group is the largest private sector enterprise in India, with presence across varied businesses in the energy and materials value-chain, along-with ventures in consumer-facing businesses. The flagship company, Reliance Industries Limited (RIL, rated 'CARE AAA; Stable/ CARE A1+'), is a Fortune Global 500 company. By virtue of being a part of the Reliance group, RLSPL, while independent in its day-to-day operations, gets need-based support from various group companies. The promoters/group companies have, in the past, infused funds in the form of long-term unsecured loans and preference shares in RLSPL. The company has outstanding preference shares of ₹19.75 crore held by a promoter entity. Moreover, the group entities have provided long-term unsecured loans of ₹880 crore to RLSPL as on September 30, 2023. During Q3FY24, the company has retired unsecured loans to the tune of ₹500 crore through availment of term debt.

Dominant position in two key products; deep product pipeline
RLSPL is one of the major manufacturers of plasma proteins in South Asia. The company is an integrated manufacturer of Human Albumin and Immunoglobulin in South Asia and holds a strong market position in these two product categories in the domestic market. The company has moderately diversified product portfolio with top seven products contributing around 50%-60% of the total operating income of the company. Furthermore, geographically, its sales are very diversified.
There are significant entry barriers for integrated manufacturers in plasma proteins because of the limited sources of plasma and plasma intermediates as well as the complexity in manufacturing and testing of these products. RLSPL has developed the entire supply chain and technology of manufacturing and testing these products over the past decade. Plasma proteins are largely supplied directly by RLSPL, under its own brand, to hospitals in India and other foreign markets, whereas in the UK market, it is through third parties.
RLSPL has launched five of the world's first biosimilars and has the largest number of biosimilars in the market in India, along with a large number of biosimilars under development. Several biopharmaceutical and pharmaceutical products under development for the Indian and international markets, are expected to translate into revenue potential for the company in future. RLSPL also exports its products to the overseas markets, and currently, has presence in 65 countries.

Continued improvement in its operational and financial performance
RLSPL's total operating income (TOI) improved significantly during FY23 and stood at ₹2,478 crore; registering a growth of 26% on y-o-y basis owing to improved performance of the biopharmaceutical and pharmaceutical segments as well as due to increase in sales from diagnostic segment because testing continued at various Reliance group entities. Also, its PBILDT margin has witnessed an improving trend whereby it stood at around 27% in FY21 and above 40% during FY22 and FY23 mainly due to the high-margin COVID-19 diagnostics business, high margin product mix esp. in pharmaceutical segment, improved sourcing of input materials, increase in realisations in the export markets as well as improved sales in high margin US and UK markets. During the current year viz., H1FY24, the revenue remained healthy at ₹1,115.06 crore while profitability moderated by around 500 bps yet continued to remain healthy; due to dip in revenue of diagnostic segment on the back of the waning effect of the pandemic. However, CARE Ratings expects RLSPL to achieve similar TOI in FY24 as achieved in FY23 with relatively lower profitability margin due to waning effect of the pandemic.

Integrated in-house infrastructure and capabilities in R&D, process development, clinical trial, manufacturing and marketing
RLSPL operates state-of-the-art facilities in the life sciences domain, with Dhirubhai Ambani Life Sciences Centre (DALC) being among the most diverse and integrated life sciences centres in the world. The company is capable of undertaking R&D in a wide range of fields and its manufacturing units are well integrated with facilities for repository, laboratory research, pre-clinical research and clinical trials. The company's in-house R&D facility is recognised by the Department of Scientific and Industrial Research (DSIR). The company's R&D expenditure ranges between ₹70 crore and ₹100 crore on annual basis. RLSPL operates facilities for manufacturing plasma proteins, biosimilars and pharmaceuticals products that are WHO-GMP approved. RLSPL is one of the few centres in the world offering a specialised range of tests in molecular medicine and molecular genetics.

High level of quality standards with accreditations from national and global agencies
The business of developing and producing biopharmaceuticals, pharmaceuticals and other high-end products entail high level of quality standards. The biopharmaceutical and pharmaceutical product manufacturing plants of the company are approved by

European regulatory authorities as well as health authorities of various countries, including Brazil, Columbia, Egypt and Turkey. RLSPL enjoys accreditations from various accrediting organisations, such as the College of American Pathologists (CAP), the National Accreditation Board for Testing and Calibration Laboratories (NABL), Clinical Laboratory Improvement Amendments (CLIA), the American Association of Blood Banks (AABB), accreditations for cord blood repository, and the Organisation of Economic Cooperation and Development-Good Laboratory Practices (OECD-GLP). The DALC facility has also been approved by the U.S Food and Drug Administration (USFDA).

Stable outlook for Indian pharmaceutical industry and favourable growth prospects in the biopharmaceuticals segment

With a market size of around USD 50 billion in FY23, the Indian pharmaceutical industry globally ranks third in terms of volume and thirteenth in terms of value. The industry has exhibited a compound annual growth rate (CAGR) of about 8% during FY17-FY23. However, in FY23, the industry's growth rate moderated to approximately 5% owing to pricing pressures experienced in export markets and the influence of a high base effect stemming from the preceding fiscal year, FY22. The foreseeable future presents a promising outlook for the industry in exports market, characterised by increasing demand within both regulated and emerging pharmaceutical markets. Furthermore, the impending expiration of patents on certain drugs presents an opportunity for substantial export growth, anticipated to be around 8% during FY24 and FY25. The United States of America (USA) continued to be the prime export destination for the industry, constituting one-third of India’s exports and USA also accounts for approximately 40-45% of the global pharmaceutical market share, which underpins its significant prominence.

With the stabilisation of raw material prices, freight rates, and easing of pricing pressure in US generics market along with a focus on complex and speciality products, CARE Ratings expects the operating margin of industry players to improve by 100-150 bps over FY24-FY25 compared to FY23.

India is the third-largest biotechnology destination in Asia Pacific and one of the top 12 biotechnology locations worldwide. India's biotechnology sector reached USD 92.30 billion in 2023 and it is targeted to reach USD 150 billion by 2025 and USD 300 billion by 2030. In the Indian biotechnology market, Biopharmaceuticals, which is the largest segment, accounted for around 63% in 2023 with USD 50 billion market value. The rise in domestic demand is fuelled by initiatives such as Aatmanirbhar Bharat and Make in India, while overseas demand for Indian vaccines and biopharmaceuticals is due to the globally competitive efficacy of Indian products. In order to contain healthcare costs, companies are leveraging generics and biosimilars, and India has poised itself as a hub to deliver affordable access to innovative and inclusive healthcare solutions. India’s expertise, infrastructure and investments can help the country soon command a decent share of within the next decade.

Liquidity: Strong

The liquidity is marked by strong annual cash accruals of more than ₹700 crore generated during FY23 and ₹300 crore during H1FY24 with debt repayment obligation of only around ₹50 crore during FY24 and ₹70 crore during FY25. Furthermore, RLSPL has shored-up its liquidity marked by free cash balance as well as liquid investments in the form of mutual funds to the extent of around ₹1,067 crore as on March 31, 2023 which stood at ₹857.81 crore as on September 30, 2023. The company has a low utilisation of its fund-based working capital limits, which provides an additional liquidity cushion. The company has sanctioned term loan facility of ₹1,350 crore, out of which it has availed ₹850 crore by Q3FY24 and repaid part of its high cost promoter debt. The balance debt is expected to be raised in FY25 for funding part of the capex. Liquidity position is expected to witness temporary moderation from very comfortable levels as funds are utilised towards ongoing projects. Nevertheless, being a part of the Reliance group, the company enjoys superior financial flexibility.

Key weaknesses

Regulatory and legal risks with respect to acceptability and approval of products with small target market (metros and mini-metros) due to highly priced niche products

All the products that are being sold by RLSPL are manufactured in-house and are high-end niche products. These products, in general, take a longer time to develop, and furthermore, require additional time before they can be marketed, as they must pass through rigorous regulatory examination and clinical trials. Even after these products have been fully developed, they have to undergo a rigorous testing process by regulatory authorities in various countries, with each country having its own set of rules and regulations. Some of these products take seven to eight years to develop. Moreover, the kind of drugs in which RLSPL specialises are not widely used in India as they are quite expensive. Hence, the market, although growing, is still at a nascent stage and is expected to take some time to mature.

Risks associated with implementation and stabilisation of large-size greenfield project as well as expansion capital expenditure

RLSPL has planned to undertake a greenfield project of building a research and manufacturing facility at Dindori, Nashik, like the existing one at DALC through its wholly-owned subsidiary RLSNPL. The proposed facility will have verticals such as Plasma Proteins, Biosimilars, Pharmaceuticals, Clinical Research, Regenerative Medicine, Cord Blood Repository and Diagnostics with installed capacity higher than DALC facility. The total cost of this greenfield project is estimated at around ₹2,200 crore (revised from earlier estimate of ₹2,500 crore). As on December 27, 2023, the company has spent around ₹1,050 crore towards the project through internal accruals, unsecured loans from promoter group entities, as well as available liquidity. The project is expected to be completed by March 31, 2024 while project cost is expected to be spread over FY24 and FY25. RLSPL has also envisaged a capex of around ₹600 crore during FY24-FY26 towards expansion of its biosimilar facility, pilot plant for Gene therapy, development of human and animal vaccines along with increasing focus on plasma proteins. The entire capex on consolidated basis is planned to be funded by external debt maximum to the extent of around ₹700 crore (as against earlier envisaged debt of ₹400 crore) and remaining through the available liquidity/internal accruals. Post completion and stabilisation of phase-1, the company shall embark upon phase-2 expansion at Nashik at similar project cost of around ₹2,200 crore. The completion of the greenfield capex in RLSNPL as well as expansion capex in RLSPL in a timely manner and stabilisation as well as revenue generation from the same will be a key monitorable.

Applicable criteria

Policy on default recognition
Rating Outlook and Credit Watch
Short Term Instruments
Pharmaceutical
Manufacturing Companies
Liquidity Analysis of Non-financial sector entities
Financial Ratios – Non financial Sector
Factoring Linkages Parent Sub JV Group
Consolidation

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Biotechnology

RLSPL is a diversified and integrated biotechnology initiative of the Mukesh Ambani-led Reliance Group. RLSPL was incorporated in 2001 to develop business opportunities in the medical, plant and industrial biotechnology sectors. RLSPL is primarily involved in biopharmaceuticals (plasma proteins, bio-similars, novel proteins), pharmaceuticals (Active Pharmaceutical Intermediates [APIs], formulations, drug discovery), clinical research services (Pre-clinical animal studies, bio availability and bio equivalence studies, Phase 1 to Phase 4 studies etc.), regenerative medicine (stem cell therapies, tissue engineered products, etc.), molecular medicine (DNA-based diagnostics, molecular genetics, predictive diagnostics), novel therapeutics (RNA molecules), R&D activities and industrial biotechnology (biopolymers, bio-chemicals).
The main facility of RLSPL is located at Dhirubhai Ambani Life Sciences Centre (DALC) in Navi Mumbai. Clinical research services are also provided out of DALC. The company also conducts biofuel agronomy research at farms located in Kakinada (AP), Raviguntapalli (AP), Nagothane (Maharashtra).
The company is also undertaking a greenfield expansion through its wholly-owned subsidiary RLSNPL to build a facility similar to DALC at Dindori, Nashik.

Brief Financials (₹ crore)-Consolidated	FY22 (A)	FY23 (A)	H1FY24 (UA)
Total operating income	1,969.45	2,478.06	1,115.06
PBILDT	801.40	1,030.82	409.15
PAT	466.98	594.94	212.82
Overall gearing (times)	0.75	0.64	0.62
Interest coverage (times)	11.45	11.94	8.29

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Financials are classified as per CARE Ratings' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history of last three years: Please refer Annexure-2

Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3.

Complexity level of the various facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facilities	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan		-	-	September 30, 2028	1350.00	CARE AAA; Stable
Fund-based-Long term		-	-	-	501.10	CARE AAA; Stable
Non-fund-based-Short term		-	-	-	348.90	CARE A1+

Annexure-2: Rating history of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
1	Fund-based-Long term	LT	501.10	CARE AAA; Stable	-	1)CARE AAA; Stable (21-Feb-23)	1)CARE AAA; Stable (24-Jan-22)	1)CARE AAA; Stable (06-Jan-21)
2	Non-fund-based-Short term	ST	348.90	CARE A1+	-	1)CARE A1+ (21-Feb-23)	1)CARE A1+ (24-Jan-22)	1)CARE A1+ (06-Jan-21)
3	Fund-based - LT-Term loan	LT	1350.00	CARE AAA; Stable	-	1)CARE AAA; Stable (21-Feb-23)	1)CARE AAA; Stable (24-Jan-22)	1)CARE AAA; Stable (06-Jan-21)

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

Annexure-4: Complexity level of various facilities rated

Sr. No.	Name of the Facilities	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based-Long term	Simple
3	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the 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 for any clarifications.

Annexure-6: List of entities getting consolidated in RLSPL

Sr. No.	Name of the entity	% holding of RLPSL as on March 31, 2023
1	Reliance Life Sciences Nashik Private Limited	100%

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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.

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