

Reliance Life Sciences Private Limited

October 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,375.05 (Reduced from 1,851.10)	CARE AAA; Stable	Reaffirmed
Long-term / short-term bank facilities	770.00	CARE AAA; Stable / CARE A1+	Assigned
Short-term bank facilities	54.95 (Reduced from 348.90)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Reliance Life Sciences Private Limited (RLSPL) continue to draw significant comfort from its parentage, with 100% ownership of the company being held by the resourceful Reliance group promoter companies (led by Mukesh Ambani), which has also infused significant unsecured loans in the company. 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, comfortable financial risk profile and its strong liquidity.

Above rating strengths are partially offset by the prevalent regulatory risks in both, domestic and international markets, and 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, Reliance Life Sciences Nashik Private Limited (RLSNPL) along-with common management. CARE Ratings has also factored in RLSPL's strong linkages with the Reliance group, whereby, RLSPL's ratings derive comfort from the resourcefulness, financial strength, and flexibility of the Reliance Group promoter 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

CARE Ratings believes strong market position of the company shall benefit the business risk profile. RLSPL being strategically important to the Reliance group, shall continue to receive financial and managerial support from the group especially in the implementation and stabilisation phase of its capex ensuring comfortable financial risk profile and liquidity position.

Detailed description of 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

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

consumer-facing businesses. The flagship company, 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 group companies. In the past, the promoters/group companies have infused funds in the form of long-term unsecured loans and preference shares in RLSPL.

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 60%-70% of the total operating income (TOI). The company has diversified geographical presence, with operations spanning across 65 countries. Exports formed ~46% of the revenue in FY24.

There are significant entry barriers for integrated manufacturers in plasma proteins because of the limited sources of plasma and plasma intermediates and the complexity in manufacturing and testing these products. RLSPL has developed the entire supply chain and technology of manufacturing and testing these products in the last 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 large number (23) of biosimilars in the Indian market, and a number of biosimilars under development. Several biopharmaceutical and pharmaceutical products under development for domestic and international markets are expected to translate into revenue potential for the company in the future.

Integrated in-house infrastructure and capabilities in R&D, process development, clinical trial, manufacturing and marketing

The flagship facility is the Dhirubhai Ambani Life Sciences Centre (DALC) in Navi Mumbai, spread over 20 acres. RLSPL operates state-of-the-art facilities in the life sciences domain, with 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 ₹100 crore and ₹130 crore on annual basis. RLSPL operates facilities for manufacturing plasma proteins, biosimilars and pharmaceuticals products conforming to Indian FDA, WHO-GMP, EMEA, and U.S Food and Drug Administration (USFDA) standards. RLSPL is one of the few centres in the world offering a specialised range of tests in molecular medicine and molecular genetics. Currently, the capacity at DALC is largely utilised. The company is setting up another plant at Nashik under its subsidiary, RLSNPL, which has a land parcel of ~160 acres. Under phase-1 expansion, the capacity being set up is ~2x of current capacity in RLSPL.

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 and health authorities of countries, including Brazil, Columbia, Egypt, and Turkey. RLSPL enjoys accreditations from 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 USFDA.

Moderation in operating performance in FY24; comfortable financial profile

RLSPL's TOI moderated by 11% y-o-y in FY24 to ₹2,205 crore led by substantial decrease in revenue from diagnostic segment which had increased substantially in past two years ended FY23 owing to COVID-19 testing requirements. Nonetheless, the major business segment of biopharmaceuticals comprising plasma proteins and biosimilar, contributing ~85% to TOI in FY24 (FY23: ~65%) grew by 15%.

Profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin witnessed an improving trend from ~27% in FY21 to over 40% in FY22-FY23. Improvement was exceptional owing to increase in revenue from high-margin diagnostic segment given the testing requirement considering pandemic. With reduction in revenues from diagnostic segment due to decline in COVID-19 testing, PBILDT margin witnessed a moderation and stood at ~36% in FY24 and ~30% in H1FY25. Despite the moderation, the margin stood higher than the margins registered in years prior to FY22, supported by development of new products in biopharmaceutical segment.

CARE Ratings believes RLSPL's growth in TOI in FY25 shall be supported by continued healthy growth in the biopharmaceutical segments while profitability margin is likely to remain relatively lower owing to continued lower contribution from the diagnostics

segment. Growth in the biopharmaceutical segment shall also be supported by the partial commencement of the operations in the subsidiary, RLSNPL.

CARE Ratings observes, RLSPL has comfortable financial risk profile given healthy profitability, low leverage, strong debt coverage indicators along-with free liquidity of around ₹364 crore as on March 31, 2024.

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

Indian pharmaceutical industry size is estimated at USD 51 billion in FY24 and is estimated to reach at ~US\$ 130 billion by 2030. India's pharmaceutical industry is globally recognised, ranking as the third largest by volume and the 13th largest by value. In FY24, India's drug and pharmaceutical exports showed a notable increase of 9.67% reaching USD 27.9 billion. 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. The foreseeable future presents a promising outlook for the industry in exports market, characterised by increasing demand within both regulated and emerging pharmaceutical markets. The impending expiration of patents on certain drugs presents an opportunity for substantial export growth, anticipated to be around 8% in FY25.

India is the third-largest biotechnology destination in Asia Pacific and one of the top 12 biotechnology locations worldwide. India's Biotechnology sector is categorised into Biopharmaceuticals, Bioagriculture, Bio IT, and Bio Services, of which Biopharmaceuticals is the largest segment. 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. 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. With its expertise, infrastructure, and investments, India is poised to command a decent share within the next decade.

Liquidity: Strong

RLSPL's liquidity is marked by strong annual cash accruals of more than ₹600 crore in FY24 and ₹260 crore in H1FY25 against debt repayment obligation of ~₹70 crore in FY25 and ~₹300 crore in FY26. The company had free cash balances and liquid investments in the form of mutual funds of ~₹320 crore as on September 30, 2024. The company has a low utilisation of its fund-based limits which provides an additional liquidity cushion.

In FY24, the company availed external debt of ₹500 crore and retired high-cost promoter debt to that extent. The company has plans to avail ₹500 crore in the current financial year for its working capital requirement and capex commitments in subsidiary. With overall gearing of 0.56x as on March 31, 2024, RLSPL has sufficient gearing headroom, to raise additional debt for its capex. 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 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 and expansion capital expenditure

RLSPL has taken up 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 facility will have verticals such as Plasma Proteins, Biosimilars, Pharmaceuticals, Clinical Research, Regenerative Medicine, Cord Blood Repository and Diagnostics with installed capacity of ~2x of DALC facility. The total cost of this project is estimated at ~₹2,200 crore. Till date, the company has spent ~₹1,700 crore towards the project through internal accruals, unsecured loans from promoter group entities, and available liquidity. One of the plants has commissioned commercial operations in March 2024. Additional plants are expected to commence commercial operations by March 31, 2025, while the project is expected to be fully completed by September 2025. Besides, RLSPL, at a standalone level, has also envisaged a capex of around ₹500 crore in FY25-FY27 towards expansion of its biosimilar facility, pilot plant for Gene therapy, development of human and animal vaccines and increasing focus on plasma proteins and development

of Peptide drugs. Post completion and stabilisation of phase-1, the company plans to embark upon phase-2 expansion at Nashik at similar project cost of ~₹2,200 crore. The completion of the greenfield capex in RLSNPL and expansion capex in RLSPL in a timely manner and stabilisation and revenue generation from the same will be a key monitorable.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Pharmaceuticals](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

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, and novel proteins), pharmaceuticals (active pharmaceutical intermediates [APIs], formulations, and drug discovery), clinical research services (Pre-clinical animal studies, bio availability, and bio equivalence studies, Phase 1 to Phase 4 studies, and others), regenerative medicine (stem cell therapies, and tissue engineered products, among others), molecular medicine (DNA-based diagnostics, molecular genetics, predictive diagnostics), novel therapeutics (RNA molecules), R&D activities, and industrial biotechnology (biopolymers, bio-chemicals).

RLSPL's main facility is 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 in Kakinada (AP), Raviguntapalli (AP), and 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-Consolidated (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	2,478.06	2,205.18	1,150.00
PBILDT	1,030.82	800.53	350.00
PAT	594.94	419.88	190.00
Overall gearing (times)	0.64	0.56	0.60
Interest coverage (times)	11.94	8.42	7.00

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term loan		-	-	December 31, 2028	1350.00	CARE AAA; Stable
Fund-based-Long term		-	-	-	25.05	CARE AAA; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	770.00	CARE AAA; Stable / CARE A1+
Non-fund-based-Short term		-	-	-	54.95	CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based-Long term	LT	25.05	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Jan-24)	1)CARE AAA; Stable (21-Feb-23)	1)CARE AAA; Stable (24-Jan-22)
2	Non-fund-based-Short term	ST	54.95	CARE A1+	-	1)CARE A1+ (05-Jan-24)	1)CARE A1+ (21-Feb-23)	1)CARE A1+ (24-Jan-22)
3	Fund-based - LT-Term loan	LT	1350.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Jan-24)	1)CARE AAA; Stable (21-Feb-23)	1)CARE AAA; Stable (24-Jan-22)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	770.00	CARE AAA; Stable / CARE A1+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long term	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based-Short term	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Reliance Life Sciences Nashik Private Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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