

## Serum Institute of India Private Limited

January 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	2,800.00 (Reduced from 2,803.00)	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	350.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Serum Institute of India Private Limited (SIIPL) continue to reflect its leadership position in the vaccine manufacturing segment, highly experienced and resourceful promoters and professionally qualified management with a proven track record of over five decades. Ratings also consider its wide geographic presence and healthy financial risk profile marked by robust revenues, high operating margins, comfortable gearing levels and healthy liquidity position. The company's overall gearing even after loading the entire sanctioned limits, outstanding term loans existing in its subsidiaries and exposure in other group entities, still remains comfortable and below 0.10x as on March 31, 2024. It has long-standing affiliations with the international agencies such as the United Nations Children's Fund (UNICEF), and Pan American Health Organisation (PAHO) and its manufacturing facilities conform 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.

### Rating sensitivities: Factors likely to lead to rating actions

**Positive factors:** Not applicable

#### Negative factors

- 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.
- Adverse regulatory outcome.

**Analytical approach:** CARE Ratings Limited (CARE Ratings) has taken a standalone approach and has also factored in the support extended by SIIPL to the group entities.

### Outlook: Stable

The stable outlook reflects the rated entity is likely to maintain its established leadership position in the vaccine industry and would continue to generate healthy cash accruals and strong liquidity position over the medium term.

### Detailed description of key rating drivers:

#### Key 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 and his family wholly owns SIIPL through their holding company; Poonawalla Investments and Industries Private Limited and 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, and pharmaceuticals. 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, including Polio, Covishield, Diphtheria, Tetanus, Pertussis, HIB, BCG, r-Hepatitis B, Measles, Mumps and Rubella vaccines. 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 and expertise of the technical team and the promoters and the company's reputation and long track record in manufacturing vaccine has been key drivers in the growth of SIIPL.

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

**Long-standing affiliations with international agencies and quality certifications for its manufacturing facilities**

SI IPL has long-term tie-ups with leading international associations such as WHO, UNICEF, and PAHO. These agreements are long term and signed every year with delivery schedule for the next two to three years. The existing manufacturing facilities conform to the cGMP requirements approved by WHO, Geneva. The company's manufacturing facility also complies with USFDA, indicating high levels of standards which is important to cater highly regulated markets of USA and the EU.

**World's largest multifunctional vaccine manufacturing facility**

The company has cGMP-compliant manufacturing units across 60 acres in Hadapsar and 58 acres in Manjari in Pune. These manufacturing units cater production of vaccines per the regulations of US and European market. Internationally, the company has manufacturing plant over 40 acres with significant installed capacity of vaccines annually in Netherland. The production facilities are fully compliant with cGMP and biopharmaceutical requirements.

**Diversified product portfolio in vaccine segment**

The company's product segments are majorly divided among bacterial vaccines, viral vaccines and recombinant products. Majority 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 company's product profile. The company is also engaged in research and development for new vaccines. CARE Ratings expects the company will continue to maintain its diversified product portfolio and would add more vaccines in its existing portfolio.

**Diversified geographical revenue profile**

SI IPL has diversified geographical profile. Historically, the company's revenue profile is dominated by exports. It supplies vaccines to over 160 countries. In FY24, the contribution of export in the company's overall revenue stood at 68% with the balance 32% contributed by the domestic market. UNICEF and PAHO are among the world's biggest buyer and supplier of vaccines by collaborating with developed, under-developed and developing countries and are SI IPL's major customers. Given the company's profile, CARE Ratings expects SI IPL's revenue will continue to have higher share of export business contributing ~65%-70% of its overall revenue in the medium term.

**Strong profitability albeit moderation in revenue**

SI IPL has witnessed consistent growth in its revenue from operations in the last five years. The revenue has grown at compound annual growth rate (CAGR) 15% to ₹9549 crore in FY24 from ₹5445 crore reported in FY20. In FY24, company's revenue moderated slightly to ₹9549 crore from ₹10190 crore reported in FY23. The fall in revenue is primarily attributed to decline in other operating revenues from ₹1267 crore in FY23 to ₹427 crore in FY24. The other operating revenues include compensation, packaging scheme of incentive, and exchange gain among others. The company has been awarded incentive under package incentive 2013 as an ultra-mega unit, which entitles the company to receive incentive towards industrial growth and employment on excess of amount spent over the stated limits. SI IPL has been also enjoying strong profitability margins over the years with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 50% historically in FY24 considering increased fixed overheads and no price hike has resulted in PBILDT margin to ~48%. CARE Ratings sees the company's margin profile to continue to remain robust with PBILDT margin expected to be above 40% in the medium term.

**Strong financial profile**

SI IPL had a robust net worth at ₹41,186 crore as on March 31, 2024 (PY: ₹36,903 crore), considering large accretion to reserves over the years. The company has consistently maintained healthy operating margins with a substantial portion reinvested in the business, leading to growth in net worth and creating a strong financial base for potential contingencies. 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. The company has no external borrowings at the standalone level. Its debt is primarily comprised of lease liabilities and internal borrowings. The company's debt protection metrics continues to remain robust with interest coverage ratio of 70x (PY:88x) and total debt to gross cash accrual (TD/GCA) of 0.18x (PY:0.12x) in FY24. CARE Ratings believes with sustainment in revenue and profitability and no envisaged debt-funded capex, the company's financial risk profile is expected to remain strong over the medium term.

**Key weaknesses****Exposure to subsidiaries and group companies**

SI IPL has subsidiaries, step-down subsidiaries and associate companies in which it has made investments in the form equity and preference capital. Some subsidiaries have loans for which SI IPL has extended corporate guarantee. In its analysis, CARE Ratings has loaded the entire sanction limit of bank facilities and outstanding loans of subsidiaries in SI IPL's financials and notes the capital structure continues to remain comfortable with sizable liquidity available in SI IPL.

**Liquidity: Strong**

The company's liquidity position is strong marked by healthy liquid investments of ₹7570 crore apart from cash and bank balance of ₹1072 crore as on March 31, 2024. The company has generated strong cash accrual of ~₹4800 crore in FY24. The company's working capital requirements are largely met through internal accruals leading to nil utilisation of fund-based working capital limits which provides additional liquidity cushion to the company. At standalone level, the company does not have term loan, however, even after factoring repayments of ~₹108 crore (Euro 12 mn) for FY25, for the loan availed by one of its subsidiaries, the company's liquidity position is expected to remain strong. CARE Ratings expects the company will continue to generate cash accruals of over ₹3500 crore every year in the medium term and will continue to maintain robust liquidity position.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

[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

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals and biotechnology	Pharmaceuticals

SI IPL 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'. On October 21, 2015, the company was converted to a private limited company and its name changed to current name. SI IPL has established itself as one of the world's largest producers of measles and DTP (diphtheria, tetanus and pertussis) group of vaccines. It is also the manufacturer of Covishield vaccine against COVID-19 in India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	10,190.00	9,549.00	5069.00
PBILDT	5,663.00	4,554.00	1998.00
PAT	4,187.00	4,279.00	-
Overall gearing (times)	0.02	0.02	-
Interest coverage (times)	88.48	70.06	99.90

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	100.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	2300.00	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 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/Non-fund-based-LT/ST	LT/ST	2300.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (07-Dec-23)	1)CARE AAA; Stable / CARE A1+ (03-Jan-23)	1)CARE AAA; Stable / CARE A1+ (14-Dec-21)
2	Non-fund-based-LT/ST	LT/ST	400.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (07-Dec-23)	1)CARE AAA; Stable / CARE A1+ (03-Jan-23)	1)CARE AAA; Stable / CARE A1+ (14-Dec-21)
3	Fund-based - ST-Bank Overdraft	ST	-	-	-	-	-	1)Withdrawn (14-Dec-21)
4	Fund-based/Non-fund-based-Short Term	ST	350.00	CARE A1+	-	1)CARE A1+ (07-Dec-23)	1)CARE A1+ (03-Jan-23)	1)CARE A1+ (14-Dec-21)
5	Fund-based - LT/ ST-Working Capital Limits	LT/ST	100.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (07-Dec-23)	1)CARE AAA; Stable / CARE A1+ (03-Jan-23)	-

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 - 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: Lender details**

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

**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.

### Contact us

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#### About us:

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