

Cronus Pharma Specialties India Private Limited

February 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	64.84	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	55.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Cronus Pharma Specialties India Private Limited (CPS) to monitor the rating(s) vide e-mail communications/letters dated December 20, 2024 to January 31, 2025 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Cronus Pharma Specialties India Private Limited's bank facilities will now be denoted as CARE BB+; Stable; ISSUER NOT COOPERATING*/CARE A4+; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by Cronus Pharma Specialties India Private Limited with CARE's effort to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

Analytical approach: Consolidated approach. CARE considered consolidated approach factoring in financial and operational linkages between the parent (CPS) and its subsidiary Cronus Pharma LLC which include common management and intercompany transactions resulting in cash-flow fungibility. Please refer Annexure-6.

Outlook: Stable. The 'Stable' outlook reflects that company is likely to maintain its healthy profit margins while continuing its satisfactory financial risk profile.

Detailed description of key rating drivers:

At the time of last rating on February 06, 2024 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies).

Key weaknesses

Deviation in actuals vis-à-vis projections for FY24: CPS recorded lower than estimated profitability margins provided at the time of last surveillance with negative deviation of more than 20%. Additionally, the company's reliance on working capital limits was higher than the projected levels resulted in moderation in financial performance than projected.

Product Concentration risk: Till FY23, CPS has been manufacturing and selling 9 products through CMO services alongside its marketing wing Cronus Pharma LLC. The product portfolio of the company also includes products approved for marketing under the name Cronus Pharma LLC. The top 5 products contributed above 92% of revenue in FY23 resulted in significant product concentration risk.

Further, till December 31, 2023, CPS commercialised 15 products including commercialisation of new products from its in house facility. Products concentration from top 5 products reduced, it still remained high at 84%. The company aims to reduced the product concentration risk by commercialising new products in its facility by end of Q4FY24 and diversify the product range based

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

on demand. Considering existing approvals in place for its developed products, addition of new products will mitigate product concentration to some extent.

Delay in commencement of full-fledged operations till FY23: CPS is primarily focused on the US market, and to manufacture the products for the focused area, the company has acquired Cronus Pharma LLC, which has an established track record and market presence, as its wholly owned subsidiary to penetrate the market. During FY23, CPS commercialised few of its products through CMO services availed from different reputed pharma companies in India and further provided CRO services. CPS started commercialising the manufacturing lines in FY24 based on market demand for products upon USFDA approval.

Exposure to regulatory risk: The company is exposed to regulatory risk as the pharmaceutical industry is highly regulated in many other countries and requires various approvals, licenses, registrations and permissions for business activities. The approval process for a new product registration is complex, lengthy and expensive. Apart from above the ability of the company to continue to observe the regulatory and CGMP standards without receiving any critical observations from regulatory authorities are viewed critically from business and credit risk point of view.

Exposure to Foreign exchange fluctuation risk: The company imports 60% of raw material required for research/manufacture exhibit batches from China and Italy. CPS derives 100% of the total operating income from exports which subjects the profits to risk associated with foreign exchange fluctuation, however the same is mitigated to some extent by way of natural hedging.

Key strengths

Resourceful management with demonstrated financial support to CPS: The promoters are resourceful and have been infusing funds in the form of equity or unsecured loan to support operations and debt servicing. During FY23, promoters infused funds amounting to Rs. 152.77 crore in FY23 which were utilised to repay the debt obligations, unsecured loans from related parties and to meet working capital requirements. Also, debt of CPS is backed by personal guarantees extended by the promoters. However, timely infusion of funds in the business remains critical from credit perspective till sufficient gross cash accruals generated from the business.

Experienced and resourceful promoters with established track record in the pharmaceutical industry: CPS is promoted by Mr. Vimal Kumar Kavuru who has been associated with pharma industry in various capacities for more than 25 years. Prior to the establishment of CPS, he has promoted many pharma companies like Celon Laboratories Limited in 2007, Gen-Source RX in 2008, Citron Pharma LLC, USA in 2013. He was also instrumental in formation of Casper Pharma LLC, is an emerging speciality pharmaceutical distribution company engaged in marketing and distribution of certain branded products. Mr. Vimal is supported by a well-structured top management which takes care of day-to-day operations of CPS. The top management of CPS comprises highly qualified professionals who have been closely related to pharma industry. The various departments such as projects, manufacturing & operations, quality assurance, business development, formulations, ARD, finance, and regulatory departments are headed by professionals, specialized in that field.

Strategic location of the facility: Manufacturing facility of CPS located at GMR Hyderabad aviation SEZ, Mamidipally Village, Saroor Nagar district, Hyderabad, Telangana. Being located in a SEZ, the company is expected to gain from the benefits provided by the government such as duty-free import/domestic procurement of goods for development, operation and maintenance of SEZ units, various tax exemptions and single window clearance for Central and State level approvals. Further, the unit is in proximity of Hyderabad international airport making the unit easily accessible and facilitating smooth transportation of raw material and finished goods.

Strong marketing and distribution network: CPS is promoted by Mr. Vimal Kumar Kavuru who also promoted Cronus Pharma LLC which is engaged in providing innovative and cost-effective products to the animal health market in USA and manufactures human labelled products. Cronus Pharma LLC is fully licensed in all 50 states of USA to distribute pharmaceutical products. In July-2021, CPS acquired Cronus pharma LLC to get the benefit of increase in scale of operations since it has existing marketing network in the US has largely mitigated the marketing risks.

Established R&D facility with healthy product portfolio: Currently, the company has 59 ANDA-approved products catering to therapeutic segments such as anti-infective, non-steroidal anti-inflammatory drug (NSAID), and specialty pharma. In addition to the existing product portfolio, the R&D team is developing new formulations as the company foresees immense opportunities in the research and development space and continuously spending on R&D to broaden their product mix. During FY23, CPS has spent around Rs. 10.20 crore (PYE: Rs. 6.99 crore), which is about 4.73% of TOI in FY23 (PYE: 5.31%). In addition to existing portfolio, company has received approval for 8 products. Also, CPS has acquired 6 established USFDA products, this strategic move is expected to enhance company's market position in the US, strengthening its foothold in industry.

Improved scale of operations with healthy profits recorded in FY24: On consolidated level, total operating income of the company recorded TOI of Rs. 290.27 crores in FY24 against Rs. 215.54 crores with growth rate of 34.71% on account of commercialisation of its manufacturing facility and addition of new products added to portfolio which are approved by ANDA and enhanced marketing through its market wing Cronus Pharma LLC in USA. Inline with TOI, PBILDT and PAT levels of the company

significantly improved to Rs. 73.12 crores (PY: Rs. 28.85 crores) and PAT of Rs. 31.02 crores against net losses in FY23. PBILDT and PAT margins of the company stood healthy at about 25.18% and 10.68% respectively.

Comfortable operating cycle: CPS get credit period of 60 to 90 days from the suppliers. Raw material required for R&D and to manufacture exhibit batches are procured through imports from China, Italy and France which contributes around 60% of total purchase and remaining through indigenous purchases and get credit period of 30 to 90 days from its suppliers. CPS provides credit period of 90 days to its customers. CPS usually holds inventory for a period up to 90 days with orders in hand and expected orders from the market based on demand. In FY24, Operating cycle of the company stood comfortable at 34 days with collection period of 27 days, inventory of 72 days and creditors of 65 days.

Comfortable financial risk profile: Capital structure of the company marked by overall gearing ratio deteriorated but remained comfortable below unity i.e., at to 0.74x as on March 31, 2024 (PYE: 0.65x) despite increase in debt levels, supported by strong net worth. While healthy profits contributed to net worth growth in FY24, CPS's investment in intangible assets for product development, amounting to Rs. 54.72 crores (against Rs. 16.82 crores in the previous year), led to a reduction in net worth levels and a marginal deterioration in its financial risk profile. Nevertheless, the company's net worth remained robust at Rs. 197.96 crores, considering the scale of its operations. Other debt coverage indicators like interest coverage ratio and TD GCA improved and stood comfortable at 5.30x (PY:2.35x) and 2.61x (PY: 8.42x).

Liquidity: Adequate.

On consolidated level, the liquidity profile of the company improved and remains adequate marked by gross cash accruals of Rs. 56.35 crores and envisaged support received from promoters for meeting debt obligations and operational requirements. During FY23, the promoters infused equity for amount Rs. 152.77 crores to repay debt repayment obligations/ unsecured loans and meet working capital requirements which is sufficient to meet the debt repayment obligation of Rs. 40.62 cores for FY24. Furthermore, the company has been maintaining Debt Service Reserve Account (DSRA) equivalent to one quarter principal and interest payments amounting to Rs 14.31 crore, which provides cushion in case of any exigencies. Also, the company had unencumbered cash and bank balance of Rs.5.74 crore as on March 31, 2023.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

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[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Cronus Pharma Specialties India Private Limited (CPS) incorporated in the year 2015, promoted by Mr. Vimal Kumar Kavuru. The company is engaged in manufacturing general and cephalosporin veterinary finished dosage formulations (FDFs) including injectable, tablets, chewable tablets and other dosage forms. The facility is spread across an area of 10 acres located in GMR aviation SEZ, Hyderabad, Telangana. CPS has acquired Cronus Pharma LLC which is in US and has presence in the US market for more than a decade. Cronus Pharma LLC is licensed in all 50 states to distribute pharmaceutical products, products are accessible to all veterinarians and pet owners nationwide sold to major wholesalers and regional distributors which will act as marketing wing to CPS.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	215.54	290.37
PBILDT	28.85	73.12
PAT	-4.28	31.02
Overall gearing (times)	0.65	0.74
Interest coverage (times)	2.35	5.30

A: Audited; 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-Term Loan		-	-	30-06-2025	64.84	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-EPC/PSC		-	-	-	55.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 - LT-Term Loan	LT	64.84	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BBB-; Stable (06-Feb-24) 2)CARE BBB-; Stable (08-May-23)	1)CARE BBB-; Negative; ISSUER NOT COOPERATING * (02-Jan-23)	1)CARE BBB-; Negative (04-Oct-21) 2)CARE BBB-; Stable (25-Aug-21)
2	Fund-based - LT/ST-EPC/PSC	LT/ST	55.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE BBB-; Stable / CARE A3 (06-Feb-24) 2)CARE BBB-; Stable / CARE A3 (08-May-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long 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-Term Loan	Simple
2	Fund-based - LT/ ST-EPC/PSC	Simple

Annexure-5: Lender details

To view the 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	Cronus Pharma LLC	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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Disclaimer:

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