Veeda Clinical Research Limited

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	20.00	CARE A-; Stable / CARE A2+	Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has removed the 'Rating Watch with Developing Implications' and reaffirmed the ratings of Veeda Clinical Research Limited (VCRL) assigning a 'Stable' outlook. Earlier on April 03, 2024, the ratings were placed under watch following announcement of VCRL acquiring a Europe based privately held entity specialising in conducting clinical trials in the oncology domain. The rating action follows successful completion of VCRL's debt-funded acquisition of Ireland based Health Data Specialist Holding Limited ("Heads") and resultant synergy derived from this acquisition.

The ratings continue to derive strength from company's experienced and well-qualified management team, its established operational track record backed by well-equipped facilities, and its reputed and diversified customer base. The ratings also favourably factor the strengthening of VCRL's competitive position in the clinical research value chain with its subsidiary, Bioneeds India Private Limited (BIPL; rated CARE BBB+; Stable) as a pre-clinical research organisation (CRO) and acquisition of Heads which specializes in conducting late phase clinical trial in oncology segment. The ratings also derive strength from the company's comfortable capital structure and adequate liquidity. CARE Ratings also takes cognisance of VCRL's fluctuating profitability– which moderated to some extent in FY24 (FY refers to April 01 to March 31), although remained healthy.

The ratings continue to remain constrained on account of VCRL's moderate scale of operations, moderation in its debt coverage indicators on the back of debt availed for acquisition of Heads, sizeable contingent liabilities, regulatory risks associated with the clinical research industry, and susceptibility of its profitability to volatile foreign exchange rates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Diversification of service offering leading to growth in total operating income (TOI) beyond Rs.600 crore along with profit before interest, lease, depreciation and tax (PBILDT) margin of around 25% on sustained basis

Negative factors

- Significant decline in TOI below Rs.300 crore with PBILDT margin of less than 16% on sustained basis
- Any significant outgo on account of crystallization of its contingent liability and its impact on the company's liquidity
- Deterioration in debt coverage indicators with PBILDT interest coverage below 3x and total debt to PBILDT above 4x on sustained basis

Analytical approach: Consolidated

CARE Ratings has considered consolidated financials of VCRL along with its subsidiaries. The list of subsidiaries whose financials have been consolidated is mentioned in **Annexure-6.**

Outlook: Stable

The 'Stable' outlook on the long-term rating of VCRL reflects CARE Ratings' expectation that the company shall continue to benefit from its established track record and strong presence in the clinical research value-chain, synergy from acquisition of Heads and its healthy liquidity which would enable the company to sustain its financial risk profile over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced and well-qualified management team

Promoted by Apurva Shah and Binoy Gardi, VCRL has more than 15 years of track record in the clinical research domain. Currently, majority stake is held by Basil Private Limited which has been granted a category 1 global business license and is regulated by the Financial Services Commission, Mauritius. It has been authorized to act as an investment holding company.

Currently, Dr. Mahesh Bhalgat, Group CEO and Managing Director, is responsible for overall strategic leadership and operations of the Company. He holds a doctor in philosophy in medical chemistry from University of Utah. In past, he has served as COO of Syngene International Limited and was also associated with Shantha Biotechnics Limited as executive director and COO. Further, S N Vinaya Babu who is the Founder and Managing Director of Veeda's subsidiary, BIPL, has extensive experience in various

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

segments of Pre-clinical trials. The company has a well-qualified senior management team with vast experience in the pharmaceuticals and clinical research domain.

Established operational track record in clinical research domain with established and diversified clientele

VCRL is a full service independent Indian clinical CRO. Its facilities have been inspected by regulatory authorities such as the US Food and Drug Administration (USFDA), Medicines and Healthcare products Regulatory Agency (MHRA, UK), World Health Organisation (WHO), The National Health Surveillance Agency of Brazil (ANVISA), Drugs Controller General of India (DCGI), European Medicine Agency (EMA), among others. VCRL has three clinical units, of which two are in Ahmedabad (established in 2004 and 2015) and one is in Mehsana (established 2019), with a total combined capacity of 588 bed as on December 31, 2024. VCRL has an established customer base spread across the globe. The customer base remains diversified, with top 10 customers contributing about 33% of its revenue during FY24 (FY23: 44%), on a standalone basis.

Strengthening of the competitive position in the CRO value chain

VCRL acquired 100% equity stake in Heads and increased its equity stake in BIPL from 87% to 91% as on September 30, 2024. Heads is a full-service Global CRO conducting clinical trials across various therapy areas, with deep therapeutic expertise in Hemato-Oncology trials. Established in 2010 in Athens (Greece), Heads has an operational presence in 25 locations across Europe, North America and the Asia Pacific region. The said acquisition was valued at 119 million Euros (approx. Rs.1022 crore) which was funded via availment of foreign currency loan of Rs.42 million Euros (Rs.380 crore), equity raised in VCRL and partly through issuance of shares of VCRL to promoters of Heads. Through this acquisition, Veeda now has presence in late phase clinical trials apart from its already established presence in pre-clinical and early phase clinical trials. Thus, CARE Ratings notes that with the complementing set of services offered by VCRL, BIPL and Heads, the group has strengthened its position in the CRO value chain.

Incorporated in 2007, BIPL, a pre-clinical CRO, provides integrated discovery, development, and regulatory services to pharmaceutical, biopharmaceutical, agrochemical, industrial chemical, and medical device companies, among others. It has an established track record of catering to industries, with over 8,500 good laboratories practices (GLP) studies submitted to regulatory bodies across the globe.

BIPL has a fully equipped pre-clinical research facility with capacity of 127 animal rooms in Devarahosahally, Karnataka. It also had a biopharma lab in Peenya, Karnataka. BIPL enjoys long and established relationships with most customers, including major reputed Indian and international players. BIPL has a wide geographical presence with its customer base spread across China, Denmark, Germany, Malaysia, Singapore, Japan, Spain, Sweden, Switzerland, among other countries. It has Indian and global accreditations, and its facilities are regularly audited by regulatory bodies across the globe.

Healthy albeit fluctuating profitability

On a consolidated basis, PBILDT margin declined but remained healthy at 21.30% during FY24 as compared to 26.09% in FY23. Overall, Veeda operates on healthy profitability, however, it remains volatile depending on the type and nos. as well as the duration of the study undertaken during the period under consideration. For H1FY25, it reported PBILDT margin of 22.97%. CARE Ratings expects profitability to remain in the range of 21-25% going forward.

VCRL report losses of Rs. 0.36 crore at Profit-after-tax (PAT) level in FY24, due to increased depreciation and one-time legal fees paid for acquisition of Heads against profit of Rs. 42.42 crore in FY23. Resultantly, GCA moderated from Rs. 78.52 crore in FY23 to Rs. 47.64 crore in FY24. However, with the benefit from acquisition accruing in current year, VCRL reported GCA of Rs. 49.11 crore in H1FY25.

Comfortable capital structure albeit moderation in debt coverage indicators

On a consolidated basis, VCRL had a comfortable capital structure, marked by overall gearing of 0.34x as on March 31, 2024. Tangible net worth (TNW) base of VCRL was strong at Rs.1016.52 crore (FY23: Rs. 424.98 crore) with equity infusion and completion of acquisition of Heads. Against this, total debt (including lease liability) increased to Rs.344.47 crore as on March 31, 2024 (Rs.113.14 crore as on March 31, 2023) with availment of foreign currency term loan for the purpose of acquisition. The balance debt of Rs.154.13 crore was availed during current financial year.

With availing of new debt, debt coverage indicators moderated but remained comfortable marked by PBILDT/interest coverage and TD/GCA of 5.79x and 7.23x, respectively, in FY24. The debt coverage indicators are expected to further moderate with part disbursement of foreign currency loan taken in current financial year.

Key weaknesses

Moderate scale of operations

On consolidated basis, VCRL reported TOI of Rs.389 crore in FY24 as compared to Rs.412 crore in FY23. The moderation in TOI was primarily due to decline in business in the Clinical Trial services and dip in HVS services business due to regulatory delays. The regulatory delays were caused by broad based administrative changes in Central Drugs Standard Control Organization, India

(CDSCO) which resulted in significant delays in the grant of regulatory approvals for initiating clinical studies, a factor that impacted the overall CRO industry. For H1FY25, VCRL reported TOI of Rs.305.30 crore (H1FY24: Rs.180.66 crore). CARE Ratings expects TOI to improve with the full benefit of acquisition of Heads to accrue in FY25.

Despite growth in the clinical trials in the last 2-3 years, bio-availability and bio-equivalence (BA/BE) studies remained the major revenue driver of VCRL. However, the same changed in H1FY25 with acquisition of Heads and contribution of clinical trials increased to 43% in H1FY25 from an average of around 14% over the past 3 years.

Sizeable contingent liability

On a consolidated basis, the contingent liabilities of VCRL stood at ₹65.17 crore as on March 31, 2024 (This excludes reported contingent liability of ₹1060.06 crore as on March 31, 2024 towards corporate guarantee given by VCRL for debt availed by Veeda Clinical Research Ireland Limited for acquisition of Heads and corporate guarantee given to the selling shareholders of Heads towards contingent consideration as CARE Ratings has taken consolidated analytical approach). These contingent liabilities of VCRL include disputed service tax, income tax and Goods & Service tax dues arising out of normal course of business.

Apart from this, VCRL had compensation claim of ₹101.88 crore lodged by one of its customers with respect to clinical trials conducted by the company. As articulated by VCRL's management, the matter is sub judice and it is adequately insured. Moreover, VCRL has a liability clause in the contract entered with the customer, which restricts its overall liability to a fixed extent of the contract value of ₹1.89 crore. However, the extent of crystallisation of contingent liability/ claim and its consequences on the company's operations will be crucial from the credit perspective.

Exposure to high regulatory risk

The CRO industry is exposed to high reputation and regulatory risks, wherein the CRO has an important responsibility to ensure the safety of its subjects upon whom clinical trials and studies are conducted. The Ministry of Health and Family Welfare, Government of India (GoI), has a pre-defined patient compensation guideline in case of clinical trials with compensation for any unforeseen injury or unfortunate death caused during trials. Adverse impact on the health of subjects during trials can discredit the CRO and may lead to investigation and subsequent action from regulatory authorities, which may impact the company's operations.

CROs also require approvals, licenses, registrations, and permissions for their routine business activities. The approval process is also complex, lengthy, and expensive. The time taken to obtain approval varies from one country to another and it ranges from a month to a year. CARE Ratings notes that delay or failure in getting approvals can also adversely affect the company's business prospects.

Increasing competition in the Indian CRO industry

Several large global pharmaceutical companies are outsourcing clinical trials to India. Although there are only a few large CROs with presence in the entire value chain of clinical research in India, the segment has numerous captive CROs by pharmaceutical companies. The company also faces competition from CROs based out of China and Eastern Europe, among others, which may have a wide portfolio of services. Cost pressures faced by companies are creating the need for pharmaceutical companies to implement cost-cutting measures across operations, including drug development costs. Hence, the increasing competitive intensity with cost pressure constrains pricing flexibility, particularly in the lower-end of the service offering, especially BA or BE. However, CARE Ratings notes that VCRL benefits from its wide range of service offerings, also supported by its subsidiary, BIPL and Heads, and its strong clientele across the globe.

Profitability susceptible to volatility associated with forex rates

VCRL derives about 60-70% of its TOI from exports, exposing it to foreign exchange fluctuation risk in the absence of active hedging policy. However, the forex risk is mitigated to an extent through forward cover and natural hedge against imports of some machineries. Timing difference between the import and export may impact the realisable value, which in turn, can adversely impact profitability.

Liquidity: Adequate

On a consolidated basis, VCRL has adequate liquidity, marked by expected GCA of about ₹100-150 crore as against debt repayment obligations of about ₹18-62 crore for next three years ended FY27. It reported cashflow from operations of ₹238.13 crore in FY24. Veeda had liquid investment and cash and bank balance of Rs.214.72 crore as on March 31, 2024 and Rs.146.75 crore as on September 30, 2024. CARE Ratings expects VCRL to maintain adequate liquidity in the near to medium term. Current ratio and quick ratio remained adequate at 1.08x and 1.06x, respectively, as on March 31, 2024. The operating cycle improved but remained higher at 64 days in FY24 as compared to 73 days in FY23, mainly on the back of its elongated debtors' days, which remained high at 105 days.

On a standalone basis, VCRL's liquidity remained adequate with nil fund-based working capital utilisation in last 12 months ended December, 2024, thus providing sufficient cashflow cushion.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Pharmaceuticals
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

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

VCRL (CIN: U73100GJ2004PLC044023), originally incorporated in April 2004 under the name, Clinsearch Labs Private Limited, is a full service global CRO specialising in the early clinical development of drugs by conducting early phase clinical trials on healthy volunteers and patients. The company's constitution was changed to the present one on June 30, 2021.
VCRL caters to pharmaceutical and biotechnology industries worldwide by providing a full range of services such as clinical trials, healthy volunteer studies which includes BA / BE studies, pre-clinical trials and non-clinical testing and biopharma services.
VCRL has three clinical units, of which two are in Ahmedabad and one in Mehsana with a combined bed capacity of 588 as on December 31, 2024.
VCRL holds 91% stake in BIPL. Furthermore, VCRL along with Veeda Clinical Research Ireland Limited hold 100% stake in Heads (with its 8 step-down subsidiaries) as on December 31, 2024.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (A)
Total operating income	412.22	389.12	305.30
PBILDT	107.55	82.87	70.14
PAT	42.42	-0.36	-24.93
Overall gearing (times)	0.27	0.34	0.48
Interest coverage (times)	8.24	5.79	4.07

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/ ST-CC/PC/Bill Discounting		-	-	-	20.00	CARE A-; Stable / CARE A2+

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/ ST-CC/PC/Bill Discounting	LT/ST	20.00	CARE A-; Stable / CARE A2+	1)CARE A- / CARE A2+ (RWD) (03-Apr-24)	1)CARE A-; Stable / CARE A2+ (07-Apr-23)	1)CARE A-; Stable / CARE A2+ (07-Apr-22)	-

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-CC/PC/Bill Discounting	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	Ingenuity Biosciences Private Limited	Full	Wholly owned subsidiary
2	Bioneeds India Private Limited	Full	Subsidiary
3	Veeda Clinical Research Ireland Limited	Full	Wholly owned subsidiary
4	Amthera Life Sciences Private Limited	Full	Subsidiary of Bioneeds India Private Limited
5	Health Data Specialists (Holdings) Limited	Full	Wholly owned subsidiary
6	Health Data Specialists Single Member S.A.	Full	Wholly Owned Subsidiary of Health Data Specialists (Holdings) Limited
7	Health Data Specialists Ireland Limited	Full	
8	Health Data Specialists S.r.l.	Full	
9	Health Data Specialists USA Inc.	Full	
10	Health Data Specialists Australia Pty Ltd.	Full	
11	Health Data Specialists B.V.	Full	
12	Heads Research GmbH viii. Heads Research AG	Full	

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:
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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