STRIDES PHARMA SCIENCE LIMITED

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	311.80 (Enhanced from 199.00)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	218.20 (Enhanced from 131.00)	CARE A; Stable / CARE A2+	Reaffirmed
Short-term bank facilities	1,670.00 (Reduced from 1,870.00)	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Strides Pharma Science Limited (Strides) considers the successful completion of restructuring and improvement in credit profile, existence of experienced promoters, established track record of operations with reputed clientele, accredited manufacturing facilities and low product concentration risks. Ratings also favourably factors established track record of the promoter in turning around the businesses successfully. In September 2023, Strides announced the board of directors of Steriscience speciality private limited (SSPL), Strides and OneSource speciality pharma limited (Previously Stelis Biopharma limited) are intending to build an integrated Contact Development and Manufacturing ('CDMO') company. The company has received approval per NCLT order dated November 14, 2024, and the transaction is completed with April 01, 2024, as effective date. Also, from January 2025, OneSource shares are listed on NSE and BSE.

Ratings also positively factor the improvement in overall performance and profitability margins in FY24 and 9MFY25. Strides achieved a growth of ~10% in its FY24 revenues, driven by improvement in the US segment and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins improving to 18% after reporting losses in FY22. In 9MFY25, the revenue increased by 17% to ₹3375 crores and PBILDT margins improved to 17% (vs 9MFY24 margin of 14%), despite the demerger of softgel segment.

The corporate guarantee extended towards OneSource has also been released post completion of restructuring. This along with the scheduled repayments, the net debt to PBILDT is expected to be below 2.5x by March 2025.

The above factors are constrained by inherent exposure to regulatory risks, elongated working capital cycle and moderate credit profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to successfully scale up operations and achieve PBILDT margins consistently ~19%.
- Improvement in net total debt to PBILDT ~2x on sustained basis.

Negative factors

- Fall in sales below ₹3000 crore or decline in PBILDT% below 13%
- Large debt funded capex resulting in net total debt/PBILDT going beyond 3.5x on a sustained basis.
- Continuing losses in group companies, resulting in additional support either in the form of corporate guarantees or intercompany loans to be extended by Strides which impact the liquidity of Strides significantly resulting in adjusted overall gearing (where debt level factors the exposure towards group entities and/or entities to which it has extended corporate guarantee) going beyond 2x.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has adopted a consolidated approach for Strides along with its subsidiaries (list mentioned in Annexure 6) considering the operational, financial and managerial linkages. The analytical approach also factors in the support extended by strides to its group companies, while calculating the adjusted debt figures.

Outlook: Stable

The stable outlook reflects CARE Rating's expectation that the company will continue to derive strength from the existence of experienced promoters.

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

Detailed description of key rating drivers:

Key strengths

Successful completion of merger improving credit profile

Strides has announced in Sept 2023 that the board of directors of SSPL, Strides and OneSource are intending to build an integrated Contact Development and Manufacturing ('CDMO') company. Considering this, it was proposed to combine the identified CDMO Business of Strides and the identified CDMO Business of Steriscience under OneSource.
The management has articulated to bring down the net debt to PBILDT levels below 2.5x by March 2025 on the back of Softgel hive off (resulting in ₹280 crore of debt reduction) and scheduled repayments (of ~₹200 core). The company has achieved the planned debt reduction in 9MFY25, resulting in a reduction of net debt by ₹464 crore. The CG extended (₹494.47 crore as on March 31, 2024) towards the debt of OS is also released.

Existence of experienced promoters and established track record of promoters

The primary promoter is Mr. Arun Kumar, who founded Strides in 1990. Mr. Arun Kumar has demonstrated track record of turning around business and exiting them profitably. He has ~34 years' experience in the pharma sector. Over the years he has cultivated a strong and positive relationship with the clients. The top 10 customers accounted for around 60% of sales in FY24. The business model of strides has been built on a mix of organic and inorganic growth, along with leveraging and scaling up of available opportunities. The promoter usually buys controlling stake in smaller companies, consolidate them, scale up the revenue and profitability, increase utilization of manufacturing units and typically offload his stake to an established pharma company. While doing so, there is generally a non-compete clause and a long-term supply agreement with those pharma companies. Thus, enabling in establishing and maintaining customer relationships.

Recovering profitability and successful product launches

Strides achieved a growth of ~10% in its FY24 revenues, driven by improvement in the US segment. This is driven by demand for the existing products and successful take off of the newly launched products (like Icosapent). Though the flu season was not as strong as previous years', owing to the additional sales from the new products launched, the company was able to achieve year-over-year (y-o-y) sales growth in FY24. The company was able to achieve 18% PBILDT margins after reporting losses in FY22 owing to successful turnaround strategies such as launching new products to further diversify portfolio, increase the exposure to chronic therapeutic segments and exiting the products where there is significant price erosions.
In 9MFY25, the revenue increased by 17% to ₹3375 crore and PBILDT margins improved to 17% (9MFY24 margin of 14%), despite the demerger of softgel segment. In FY25, sales are expected to be over ₹4500 crore (including softgel business) considering expected product launches in H2FY25.

Low product concentration risks

Strides has a diversified portfolio of 70+ products. In addition, the company has a healthy pipeline of 100+ approved products of which ~60 products to be launched over the next 36 months. Given the diversified products, Strides has the benefit of prioritising other products if some products face price erosions. Having a product profile with diverse mix of acute and chronic products (contributes ~40% of FY24 revenues) combined with having a large basket of approved products is expected to ensure lower dependency on new ANDA filings and approvals in the near term. The company currently has ~260+ ANDAs filings of which 245 are approved. This provides revenue visibility to some extent, the ultimate realisation of sales remains a key monitorable. The sales from top 10 products has reduced from 54% in FY23 to 38% in FY24, owing to the successful take off of new products launched.

Accredited manufacturing facilities

The company has seven manufacturing facilities of which four are approved by US FDA. The company exports to ~100 countries and the other key authorisations are UK Medicines and Healthcare products Regulatory Agency (MHRA), World Health Organisation (WHO), Therapeutic Goods Administration, Australia (TGA), Brazilian Health Surveillance Agency (ANVISA), Pharmaceuticals and Medical Devices Agency, Japan (PMDA) and Health Sciences Authority, Singapore (HSA).

Key weaknesses

Elongated working capital cycle:

Aligned to Strides strategy of optimise cost and maximise sale, most of the production is in India which is subsequently exported to overseas subsidiaries, for sale to external customers in regulated, growth and access markets. Considering the business model, working capital is subject to long gestation period. The overall working capital days improved from 162 days in FY22 to 146 days in FY24 owing to improvement in debtors and inventory days. The management further aims to reduce this by 10-20 days in the near future.

Moderate credit profile, despite the same improving in 9MFY25

Due to decline in profitability and high leverage, debt protection metrics deteriorated in FY23. Strides has moderate capital structure with the overall gearing as on March 31, 2024 at 1.63x (1.95x including guaranteed debt) and Total debt to PBILDT at 3.36x (PY: 6.95). Though the metrics have improved from FY23 levels, they still remain elevated.
The management has articulated to bring down the net debt to PBILDT levels below 2.5x by March 2025 considering Softgel hive off (resulting in ₹280 crore of debt reduction) and scheduled repayments (of ~₹200 crore). The company has achieved the planned debt reduction in 9MFY25, resulting in a reduction of net debt by ₹464 crore. The working capital limits remain majorly

(~80-90%) utilised. In the absence of major debt funded capex combined with recovering PBILDT margins, the coverage metrics are expected to further improve in FY25.

Inherent exposure to Regulatory risk

Strides is exposed to regulatory risk with its operations centered majorly into manufacturing pharmaceutical formulations and injectables. 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. The time taken to obtain approval varies by country but generally takes from six months to several years from the date of application. Delay or failure in getting approval for new product launch could adversely affect the business prospect of the company. Considering, India's significant share in the USA's generic market, the USFDA has increased its scrutiny of manufacturing facilities and other regulatory compliance of the Indian pharma companies supplying generics drugs to the USA. Non-compliance may result in regulatory ban on products/facilities (as in the recent cases of import alerts issued by the USFDA to top pharma companies) and may impact a company's future approvals from USFDA. Hence, ongoing regulatory compliance has become critical for Indian pharma companies including Strides and its group companies as they seek to strengthen their position in the regulated markets such as USA, UK among others.

Risk of raw material price volatility and forex fluctuation risk

The impact of pricing of raw material could be witnessed in FY22 numbers, which among others, contributed to the moderation of operating margins of the company. The company derived ~100% revenue from international markets of which 50% is from the US, thus it is exposed to the foreign currency fluctuation risk. The company's offshore pharma operations provides a natural hedge for the company to an extent. Strides has forward hedging policy to mitigate the forex risk. Strides continues to hedge through forward covers against future forex exchange fluctuations.

Liquidity: Adequate

The liquidity of strides is adequate considering the expected GCA of ~₹400-650 crore in the next two years (factoring the restructuring), while the scheduled repayment obligations are ~₹200 crores. Also, the company has ~ ₹186 crore cash balance and ₹106 crores of liquid investment providing additional cushion. The company's debt profile debt profile has reduced from ₹3029 crores on March 31, 2023 to ₹2517 crores as on March 31, 2024, owing to repayment of term loans. This combined with recovery of PBILDT resulted in fall of total debt to PBILDT from 6.95x as at the end of FY23 to 3.36x in FY24. The company's near-term capex plans are also minimal with around ₹150-200 crores of maintenance capex, to be primarily funded through internal accruals. The working capital utilisation remains on the higher side at 80-90%. The existence of an experienced promoters along with established relationships with clients and ability to attract investments from global and local PE players minimises refinance risk.

The management has articulated to bring down the net debt to PBILDT levels below 2.5x by March 2025 on the back of Softgel hive off (resulting in ₹280 crore of debt reduction) and scheduled repayments (of ~ ₹200 cores). The company has achieved the planned debt reduction for FY25 in 9MFY25, resulting in a reduction of net debt by ₹464 crores.

Environment, social, and governance (ESG) risks

Amongst the ESG factors, significant ones for pharma companies include product quality and safety in social; regulatory compliance in governance. Considering most Indian pharma companies undertake manufacturing activities of Active Pharmaceutical Ingredients (APIs) or formulation for globally established innovator companies, environmental impact such as waste and water management, reduction of emissions also plays a vital role. Pharma companies focusing on exports also have exposure to different geographies, each having its own regulatory requirements which are continuously evolving, non-compliance with regulations or scrutiny process can result in product withdrawals, recalls, regulatory action, declining sales, reputational damage, increased litigation and related expenses. To avoid potential negative impact arising from such lapses, pharma companies are increasingly focusing on product safety and quality by increasing internal audits and quality checks, digital quality system initiatives, taking adequate insurance cover for clinical and product liability, setting up dedicated teams to constantly collaborate with the regulatory authorities and keep a close watch on latest legal changes among others.

Strides has been compliant by filing its BRSR timely. The company's annual report includes BRSR. The company has recently formalised its comprehensive ESG framework and is also in the process of implementing the ESG framework on long term basis. The company already has a comprehensive risk management framework in place where the risk register captures these critical aspects which is reviewed by the Risk Management Committee of the Board of Directors.

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	Pharmaceuticals

Strides pharma science limited was incorporated in 1990 and has its headquarters in Bangalore. The company was promoted by Mr. Arun Kumar and has had multiple mergers, acquisitions, demerger and spin offs among others. in the past 34 years. Strides has seven manufacturing facilities spread across four continents, including four US FDA approved facilities with ~70% of capacity utilisation. The company manufactures niche generic formulations in various dosage forms focusing on three distinct target markets: regulated markets (United States, Europe, and Australia), emerging markets (primarily in Africa) and donor-funded institutional business.

Brief Financials – Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	3694.34	4065.64	3374.9
PBILDT	436.13	748.14	584.9
PAT	-230.90	-148.53	3511.89
Overall gearing (times)	1.83	1.63	NA
Interest coverage (times)	1.67	2.38	3.18

A: Audited UA: Unaudited NM: Not Meaningful; NA: Not available. Net profit in 9MFY25, includes a gain of ₹3188 crore on demerger of soft gel business.

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in 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 - ST-Working Capital Limits		-	-	-	1250.00	CARE A2+
Fund-based/Non-fund-based-LT/ST		-	-	-	218.20	CARE A; Stable / CARE A2+
Non-fund-based - ST-Working Capital Limits		-	-	-	420.00	CARE A2+
Term Loan-Long Term		-	-	31/12/2029	311.80	CARE A; Stable

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	Term Loan-Long Term	LT	311.80	CARE A; Stable	1)CARE A; Stable (12-Jul-24)	-	-	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	218.20	CARE A; Stable / CARE A2+	1)CARE A; Stable / CARE A2+ (12-Jul-24)	-	-	-
3	Non-fund-based - ST-Working Capital Limits	ST	420.00	CARE A2+	1)CARE A2+ (12-Jul-24)	-	-	-
4	Fund-based - ST-Working Capital Limits	ST	1250.00	CARE A2+	1)CARE A2+ (12-Jul-24)	-	-	-

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 the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Working Capital Limits	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - ST-Working Capital Limits	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Lender details

To 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	Altima Innovations Inc.	Full consolidation	Subsidiary
2	Apollo Life sciences Holdings Proprietary Limited	Full consolidation	Subsidiary
3	Arco Lab Private Limited	Full consolidation	Subsidiary
4	Arrow Life Sciences (Malaysia) SDN. BHD.	Full consolidation	Subsidiary
5	Beltapharm S.p.A	Full consolidation	Subsidiary
6	Eris Pharma GmbH ^^	Full consolidation	Subsidiary
7	Strides Pharma International AG	Full consolidation	Subsidiary
8	Fairmed Healthcare GmbH	Full consolidation	Subsidiary
9	Generic Partners UK Ltd	Full consolidation	Subsidiary
10	Pharmapar Inc.	Full consolidation	Subsidiary
11	Stelis Biopharma (Malaysia) SDN. BHD	Full consolidation	Subsidiary
12	Strides Arcolab International Ltd.	Full consolidation	Subsidiary
13	Strides CIS Limited	Full consolidation	Subsidiary
14	Strides Foundation Trust	Full consolidation	Subsidiary
15	Strides LifeSciences Limited	Full consolidation	Subsidiary
16	Strides Netherlands B. V.	Full consolidation	Subsidiary
17	Strides Nordics ApS	Full consolidation	Subsidiary
18	Strides Pharma (Cyprus) Limited	Full consolidation	Subsidiary
19	Strides Pharma (SA) Pty Ltd.	Full consolidation	Subsidiary
20	Strides Pharma Global (UK) Ltd.	Full consolidation	Subsidiary
21	Strides Pharma Asia Pte. Ltd.	Full consolidation	Subsidiary
22	Strides Pharma Science Pty Ltd	Full consolidation	Subsidiary
23	Strides Pharma Canada Inc.	Full consolidation	Subsidiary
24	Strides Pharma Global Pte. Limited	Full consolidation	Subsidiary
25	Strides Pharma Inc.	Full consolidation	Subsidiary
26	Strides Pharma International Limited	Full consolidation	Subsidiary
27	Strides Pharma UK Ltd.	Full consolidation	Subsidiary
28	Strides Pharma Latina. SA De CV@	Full consolidation	Subsidiary
29	Strides Pharma Services Private Limited	Full consolidation	Subsidiary
30	SVADS Holdings SA	Full consolidation	Subsidiary
31	Trinity Pharma (Pty) Ltd.	Full consolidation	Subsidiary
32	Universal Corporation Limited ^	Full consolidation	Subsidiary
33	Vensun Pharmaceuticals. Inc.	Full consolidation	Subsidiary
34	Strides Alathur Private Limited	Full consolidation	Subsidiary
35	Strides Softgels Pte Ltd*	Full consolidation	Subsidiary
36	UCL Brands Limited*	Full consolidation	Subsidiary
37	Neviton Softech Private Limited**	Full consolidation	Subsidiary
38	Neviton Technologies Inc.**	Full consolidation	Subsidiary
39	OneSource specialty pharma Ltd.	Proportionate	Associate company
40	Universal Corporation Limited	Proportionate	

41	Aponia Laboratories Inc	Proportionate	
42	The Regional Bio Equivalence Centre S.C.	Proportionate	
43	Sihuan Strides (HK) Limited	Proportionate	JV

^Ceased to be subsidiary with effect from September 30, 2022

*Incorporated during the year

**Subsidiary with effect from January 5. 2024

^^ Ceased to be subsidiary with effect from January 31, 2024

@ Ceased to be subsidiary with effect from March 31. 2024

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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Pulkit Agarwal Director **CARE Ratings Limited** Phone: 912267543505 E-mail: pulkit.agarwal@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Naveen Kumar Dhondy Associate Director **CARE Ratings Limited** Phone: +91-40-40102030 E-mail: dnaveen.kumar@careedge.in Samyuktha R Assistant Director **CARE Ratings Limited** E-mail: samyuktha.r@careedge.in

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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