

Lambda Therapeutic Research Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	10.00	CARE AA-; Stable	Reaffirmed
Long-term/ Short-term bank facilities	25.00	CARE AA-; Stable/ CARE A1+	Reaffirmed
Short-term bank facilities	2.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Lambda Therapeutic Research Limited (LTRL) continue to derive strength from its experienced and resourceful promoter group, its established operations in the clinical research domain in India with reputed clientele, its comfortable capital structure, and strong liquidity in the absence of any major external debt. Ratings also factor its geographically diversified operations in regulated markets and gradual shift in revenue mix towards clinical trials (Phase-I to Phase-IV) and complex studies. Ratings further factor growth in LTRL's scale of operations and PBILDT (profit before interest, lease rentals, depreciation and taxation) in FY24 (FY refers to period April 01 to March 31) on y-o-y on account of improvement in operations of its US based subsidiaries which sustained in H1FY25.

However, long term rating remains constrained on account of its exposure to inherent regulatory risk associated with clinical research industry, increasing competition in the bioavailability/ bioequivalence (BA/BE) studies which still form a major part of LTRL's total revenue and challenges in availability of subjects and patients for trials. Rating also considers challenges associated with commercialization and ramp up of the large size capex for contract manufacturing, however, it is partially mitigated due to absence of any debt funding and its linkages with Intas group.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in total operating income (TOI) while achieving consolidated PBILDT margin of more than 30% and return on capital employed (ROCE) of more than 20% on sustained basis.
- Significant diversification of service offerings and clientele.

Negative factors

- Significant deterioration in LTRL's hitherto healthy consolidated PBILDT margins below 15% on sustained basis.
- Any unforeseen regulatory developments adversely affecting its operations.

Analytical approach: Consolidated, CARE Ratings Limited (CARE Ratings) has considered the consolidated financials of LTRL for its analytical purpose, which includes the financials of its subsidiaries. LTRL and its subsidiaries also have cash flow fungibility amongst them and operate on a common management platform and all these subsidiaries are an extension of its operations in different geographies. Hence, a consolidated analytical approach has been taken for assessing LTRL. LTRL is promoted by the promoters of the Intas group, i.e., the Chudgar family of Ahmedabad. The list of subsidiaries consolidated in LTRL is placed in **Annexure-6**.

Outlook: Stable

LTRL is expected to continue to benefit from its geographically diversified operations and increase in share of complex and clinical trials studies in overall revenue mix. The financial risk profile is expected to remain healthy, supported by steady cash accruals, prudent working capital management and absence of any major debt-funded organic or in-organic expansion.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters

LTRL is promoted by the promoters of the Intas group, i.e., the Chudgar family of Ahmedabad. The promoters have around three decades of experience in the pharmaceutical industry and are also supported by a qualified and experienced senior management team along with a well-defined organisation structure and strong information systems. The promoters are very resourceful and capable of providing need-based support to LTRL. The management of LTRL has also strongly articulated their willingness to extend any need-based support to LTRL, if required.

Established operations in the clinical research domain along with long-standing relationships with its clientele

LTRL has a fully equipped clinical research facility with capacity of 748 operational beds globally as on March 31, 2024, which have been approved by regulatory agencies like the US Food and Drug Administration (USFDA), National Sanitary Surveillance Agency, Brazil (ANVISA), and the World Health Organisation (WHO), etc. The facility in Ahmedabad is equipped with a subject

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

screening unit, subject housing unit, in-house pathology and safety laboratory, bio-analytical laboratory, bio-pharmaceutics services department, along with an intensive care unit (ICU) and an on-campus ambulance service. LTRL has set up offices at various locations in Gujarat, including Bapunagar and Sarkhej in Ahmedabad and Mehsana, for sourcing and initial screening of subjects, which results in better availability of subjects. LTRL has a self-sufficient database of healthy and special subjects for carrying out its clinical trials and research studies.

LTRL, through its in-house research and development (R&D), has developed more than 1,100 validated methods for the analysis of drugs and metabolites in biological matrices, in major therapeutic areas. The availability of a large number of validation methods indicates the company's strong R&D capability and it also allows the company to showcase its operational capability to its clients. In FY24, LTRL (on a standalone basis) conducted 423 studies for various regulatory submissions which remained lower on y-o-y basis primarily due to its continued focus on lengthier, complex and higher margin studies. LTRL derived nearly 48% and 37% of its standalone revenue, respectively, in FY24 (FY23: 34%) and H1FY25 from clinical trial. Share of clinical trials declined in H1FY25 mainly on account of regulatory delays at clients' end, however, the same is expected to increase in FY26.

Over the years, LTRL has established business relationship with reputed clients. However, its revenue stream is concentrated with the top five customers contributing around 72% and BA/BE studies contributing 42% of its total standalone revenue in FY24. Based on the present orderbook, CARE Ratings expects the revenue concentration from top customers to remain in medium term. However, the company will be able to diversify its revenue mix towards high margin clinical trials.

Global presence through subsidiaries

To expand its operations geographically and grow inorganically, LTRL has expanded its presence in countries like the US, the UK, Canada and Poland, through its subsidiaries whose facilities are also accredited by regulatory agencies of the respective countries. Its subsidiary in the UK is engaged in providing pharmaco-vigilance services. The subsidiary based in Poland is also engaged in providing pharmaco-vigilance services; however, it has negligible operations.

Growth in scale of operations and improvement in operating profitability in FY24

LTRL's consolidated TOI grew by ~15% and ~7% in FY24 and H1FY25 respectively Y-o-Y. Its consolidated PBILDT also grew by 52% in FY24 as PBILDT margin improved by ~690 bps Y-o-Y to ~28.28%. Improvement in its scale operations and profitability was supported by turnaround in its US operations where combined revenue of two of its subsidiaries NPRS and Jina Pharmaceuticals Inc. (Jina) grew by 45% Y-o-Y backed by healthy order-book and order-execution. This also led to higher contribution of overseas subsidiaries' revenue at ~50% in LTRL's consolidated TOI (PY: ~45%) in FY24. Improvement in LTRL's PBILDT margin was on account of economies of scale in overseas operations, higher share of revenue from clinical trials and several cost control measures (including renationalizing rental cost, employee cost, legal cost, etc.) implemented by the company. LTRL is now focusing more on clinical trials which is less competitive and commands better pricing.

PBILDT margin in FY25 is expected to be marginally lower compared to FY24 on account of lower orders for clinical trials and higher employee cost. LTRL has already hired employees for its proposed contract manufacturing operations which is expected to commence from Q1FY26 or Q2FY26. CARE Ratings expects LTRL's consolidated TOI to remain above ₹600 crore in near term and expected to grow by ~10% to 15% per annum backed by expectation of higher orders for clinical trials and commencement of contract manufacturing operations from FY26 onwards. Its PBILDT margin is also expected to remain above 25% on account of better revenue mix and better absorption of fixed costs.

The pharmaceutical global contract outsourcing market has been picking up after the covid pandemic. The favourable changes in the Indian regulatory landscape for the CRO industry, growth in R&D spending of pharmaceutical companies, higher acceptability of India as an outsourcing destination by the global pharmaceutical companies and favourable demographics of India in terms of cost, technical skill and diversity of volunteers required for trials are expected to drive the Indian CRO market.

Comfortable leverage and debt coverage indicators; likely to sustain in the medium term

On a consolidated level, the capital structure of LTRL remained very comfortable marked by total outside liabilities (TOL)/tangible net worth (TNW) at 0.27x as on March 31, 2024 (P.Y.: 0.29x) and is envisaged to remain at similar levels in the medium-term on the back of its augmented net worth base and absence of major external debt. The total debt in LTRL and its subsidiaries comprises loans from related parties as on March 31, 2024. As articulated by the company management, it does not plan to avail any debt over the next few years. Hence, CARE Ratings envisages the capital structure to remain comfortable. The low reliance on debt on the back of healthy cash flow generation has led to low-interest or finance cost, and consequently, comfortable debt coverage indicators.

Liquidity: Strong

LTRL's liquidity remains strong marked by healthy cash accruals and cash flow from operations along with 'nil' utilisation of its fund-based working capital limits during the trailing 12-months ended December 2024. Company's liquidity indicators marked by current ratio and quick ratio remained healthy at 3.15x and 3.10x, respectively, in end-FY24. Additionally, LTRL had free liquidity

of ~₹500 crore in the form of bank fixed deposit & liquid mutual funds as on March 31, 2024, which further underpins its liquidity and provides support in case of any exigency.

Key weaknesses

Exposure to high regulatory risk

The CRO industry is exposed to high reputation or regulatory risk, wherein the CRO has an important responsibility to ensure the safety of its subjects upon whom the various clinical trials and studies are conducted by it. The Ministry of Health and Family Welfare, Government of India, has a pre-defined patient compensation guideline in case of clinical trials along with compensation for any unforeseen injury or unfortunate death caused during the trials conducted in India. Any adverse impact on the health of the subjects during the trials can discredit the CRO and may lead to investigation and subsequent action from the regulatory authorities, thereby severely impacting its business. CROs require various 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 any delay or failure in getting approval can adversely affect the business prospects of the company.

Increasing competition in the CRO industry and pricing pressure in low end value chain

Several large global pharma players are outsourcing clinical trials to India. Hence, more CROs may enter which increases the competition and constraining pricing flexibility of established players such as LTRL. Cost pressures faced by companies are creating the need for pharmaceutical companies to implement cost-cutting measures across operations, including drug development costs. Further, the large pharmaceutical players have their own captive CROs which further intensify the competition. Due to increase in the competition in the CRO industry, the company is also facing challenges pertaining to availability of diversified subjects to conduct the various studies. Additionally, the company faces competition from CROs based in China and Eastern Europe, among others, which may have a wide portfolio of services. Nevertheless, LTRL benefits from its wide range of service offerings and strong clientele. LTRL faces the competition only in lower end of service offering in value chain.

Challenges associated with commercialization and ramp up of its contract manufacturing operations

LTRL is setting up contract manufacturing facility at existing location at capex of ~₹200 crore. The capex is being entirely funded through internal accruals and available liquidity. The commercial operations are expected to commence from Q1FY26 or Q2FY26. The profitability and return indicator (ROCE) may get impacted in case of delay or suboptimal utilization of the contract manufacturing facility. However, as indicated by the management, orders from Intas group in initial stage of operations of contract manufacturing mitigates risk to certain extent.

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

Incorporated in 1998, LTRL is a full-service CRO, promoted by the Chudgar family of Ahmedabad. LTRL has operational facilities located at Ahmedabad and Mehsana, which have been approved by various regulatory agencies. It has also expanded to countries like the US, the UK, Canada, and Poland through its subsidiaries. It provides a full array of services including BA/BE studies, Phase-I clinical trials, late phase clinical studies (Phase-II and IV), pharmaco-vigilance, clinical data management studies, and statistical services. The total operational bed capacity of LTRL, on consolidated level, stood at 748 beds as on March 31, 2024.

Brief Financials (₹ crore)	Standalone			Consolidated		
	FY23 (A)	FY24 (A)	H1FY25 (UA)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	354	341	151	587	676	290
PBILDT	132	107	30	125	191	76

Brief Financials (₹ crore)	Standalone			Consolidated		
	FY23 (A)	FY24 (A)	H1FY25 (UA)	FY23 (A)	FY24 (A)	H1FY25 (UA)
PAT	108	98	NA	95	154	NA
Overall gearing (times)	0.00	0.00	NA	0.00	0.00	NA
Interest coverage (times)	Very High	Very High	NA	Very High	Very High	NA

A: Audited UA: Unaudited; NA: Not Available; 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/Packing Credit	-	-	-	-	25.00	CARE AA-; Stable/ CARE A1+
Non-fund-based - LT-Standby Letter of Credit	-	-	-	-	10.00	CARE AA-; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	2.00	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	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A1+	-	1)CARE A1+ (04-Jan-24)	1)CARE A1+ (20-Dec-22)	1)CARE A1+ (07-Dec-21) 2)CARE A1+ (05-Apr-21)
2	Fund-based - LT/ ST-CC/Packing Credit	LT/ ST	25.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (04-Jan-24)	1)CARE AA-; Stable / CARE A1+ (20-Dec-22)	1)CARE AA-; Stable / CARE A1+ (07-Dec-21) 2)CARE AA-; Stable / CARE A1+ (05-Apr-21)
3	Non-fund-based - LT-Standby Letter of Credit	LT	10.00	CARE AA-; Stable	-	1)CARE AA-; Stable (04-Jan-24)	1)CARE AA-; Stable (20-Dec-22)	1)CARE AA-; Stable (07-Dec-21) 2)CARE AA-; Stable (05-Apr-21)

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/Packing Credit	Simple
2	Non-fund-based - LT-Standby Letter of Credit	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated as on March 31, 2024

Name	Extent of consolidation	Rationale for consolidation
Lambda Therapeutic Research Inc., USA	Full	Subsidiary
Novum Pharmaceuticals Research Services, USA #	Full	Subsidiary
Lambda Therapeutic Research Inc., UK	Full	Subsidiary
Novum Pharmaceuticals Research Services, Inc., Canada	Full	Subsidiary
Lambda Clinical Service Limited, India	Full	Subsidiary
Lambda Therapeutic Research Sp. Z.o.o, Poland	Full	Subsidiary
Jina Pharmaceuticals Inc., USA	Full	Subsidiary

step-down subsidiary through, Lambda Therapeutic Research Inc., USA

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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