Tenshi Kaizen Private Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	138.67 (Reduced from 177.30)	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	20.00 (Reduced from 22.70)	CARE BB; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Tenshi Kaizen Private Limited (TKPL, Tenshi) takes into account the modest scale of operations, weak financial risk profile, inherent exposure to regulatory risks and delay in commencement of commercial production in unit ll. The financial profile is impacted by depleting networth due to continued losses in the past, further during FY24, which is expected to improve in FY25 given the conversion of Rs. 180 crores of related party loans as compulsorily convertible preference shares. The negative net worth as on March 31, 2024 combined with increased reliance in external borrowings has led to weakening of capital structure. Further as the company was in product developmental and launching state, it has been reporting operational losses.

TKPL's main promoter is Mr. Arun Kumar (who also founded Strides in 1990). The parent (Tenshi pharmaceuticals private limited) and group companies have been supporting TKPL in the form of ICDs, equity infusions and contribution to revenue. As of March 31, 2024, the unsecured loan from promoters outstanding is Rs. 146 crores (PY: Rs. 78 crores). This has enabled the company to meet its debt obligations on a timely manner. The positive drivers of ratings are existence of experienced promoters with proven turn around track record, access to reputed customer base by leveraging established relationships of promoters and group companies. Tenshi's presence in niche segments with limited competition also augur well for the ratings, though these are yet to materialize.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to successfully scale up operations and achieve break even net profits and meet its Debt repayment and OpEx obligations independently without support from parent or promoter.
- Reduction in total debt to PBILDT below 3x.

Negative factors

- Any change in support philosophy of parent company or promoter towards TKPL resulting in weakening of operational/financial linkages between the two.
- Deterioration in credit profile of promoters
- Further delay in commencement of commercial production in unit ll beyond FY26

Analytical approach: Standalone

CARE Ratings limited (CARE Ratings) has adopted a standalone approach while factoring in support received from other group companies, given the managerial and financial linkages.

As per the Management, the Company's operations are primarily carried out at the standalone entity, Tenshi's subsidiaries (in Europe, USA) do not have any significant operations and do not hold any material assets/liabilities.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectation that the company will continue to benefit from existence of experienced promoters.

Detailed description of the key rating drivers:

Key weaknesses

Significant delays in utilization of capacity additions resulting in modest scale of operations:

TKPL was incorporated in 2007 and started the research operations in 2017 and introduced the first product in 2021. The initial plan for the company was to develop the base technology in Bangalore facility and commercially scale up in the New Jersy facility. TKPL had also invested more than Rs. 200 crores and intended to commence production in Dec 2021. Owing to COVID related disruptions, the project got delayed and around Rs. 90 crores of capex relating to infrastructure located at New Jersy facility were

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

written off in FY23. In TKPL's books, the same is treated as impairment of investment in subsidiaries/JVs. The management has subsequently transferred the plant and machinery to the Bangalore facility and is proceeding with the expansion in India. The unit ll was supposed to commence commercial operations by Q1FY25 in Bangalore, which again got delayed by around 1.5 years owing to delay in obtaining approvals. Owing to these factors, the company is yet to take off and achieve break even sales. Since the capex has already been incurred, the time overrun didn't have any major cost overruns. But timely utilization of additional capacity without any major delays will be a key monitorable. The company has obtained US FDA approval for its unit ll in FY25 and is carrying out validation batches, by Q3FY26, the company is expecting to start dispatching products in larger quantities.
The company has however started to scale up operations and has achieved Rs. 81 crores of sales in FY24 and Rs. 77 crores in 9MFY25. The PBILDT has remained negative. For the full year it is expected that the company will achieve around Rs. 100 crores of sales and is also expected to improve further in FY26.

Weak financial risk profile
The financial profile remained stretched with depleting networth, below average capital structure and negative debt protection metrics. On account of continuing losses and significant write off of investments in FY23, networth has remained negative in FY24 and the capital structure remains weak. Despite the continuous losses, the company has made the principal and interest repayments in a timely manner owing to support extended by the parent company. TKPL's ability to achieve self-sufficiency would be a key monitorable. Furthermore, sustained operating losses, high finance costs and one time impairment charges has led to weak debt protection metrics. The company has converted a portion of related party loans (Rs 180 crores) into CCPs, this is anticipated to make the networth positive for the year ending March 31, 2025.

Exposure to regulatory risks
TKPL is exposed to regulatory risk with its operations centered majorly into manufacturing pharmaceutical formulations and injectables. Besides, 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. Any delay or failure in getting approval for new product launch could adversely affect the business prospect of the company. Given, 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 TKPL as they seek to strengthen its position in the regulated markets like USA, UK etc. till date there have been no major audit observations for the company.

Key strengths
Extensive industry experience and proven turn around track record of promoters
The primary promoter of TKPL is Mr. Arun Kumar, who also founded Strides in 1990. The main business model of the promoter and holding companies is to acquire distress companies, turnaround its operations and monetize them profitably. The profits made out of such divestment is used for reinvestment into existing businesses, acquisition of other distress businesses or is distributed to promoters or other shareholders. Mr. Arun Kumar has demonstrated track record of turning around business and exiting them profitably. Under his leadership, Strides Pharma has sold Agila Specialities to Mylan Laboratories at USD 1.6 billion in FY13 and exited the injectables segment. Recently in January 2025, another group company called OneSource Specialty Pharma Ltd has been listed with a market cap of above Rs. 18,000 crores (as on 27th March 2025).

Continuous support extended by group companies
Given, the sustained TKPL operating losses, the parent company and the promoter group companies have financially supported the entity. It is also expected that the parent will continue extending their support in the coming quarters till such time TKPL generates adequate cash flows to meet its operational and financial obligation. In 9MFY25 the company has received close to Rs. 131 crores (FY24: 69 crores) from group companies for financial support. There are also firm commitments to extent around Rs. 50-60 crores in FY26 for operational and financials needs. The company is expected to start reporting net profits from FY27 and cash profits from FY26.

Access to reputed customer base by leveraging established relationships of promoters and group companies
TKPL and Strides group have common promoters. Strides has been in the pharma business over 30 years and has developed a wide client base that includes major pharma players across geographies. Leveraging this, TKPL has been able to secure orders or has easy access to a vast range of clients.

Presence in niche segments with few competition:
Tenshi, through its proprietary technology named InstaPill, manufactures Rapid Dissolve Tablets ("RDT") – tablets that get dispersed in the mouth and is activated within seconds. As per the management, Tenshi is currently one of the only two pharmaceutical company across the world that has the technology to produce RDT. Tenshi's Loperamide InstaPill is one of the first generic alternative to Imodium (which decreases the frequency of diarrhoea) offering in various markets like Canada, Australia and Europe. Over the course of 3 years, since the first launch in 2021, Tenshi has been able to expand across key markets owing to limited competition. Also, the RDT can be used in other medicines, which can also increase the avenues for Tenshi's expansion.

Liquidity: Stretched
Given that TKPL is in its growth phase and in the absence of an established long track record of operations on a standalone basis, the cash accruals are yet to turn positive as of FY24, the liquidity remains stretched. The gross cash accruals are expected to turn positive in the FY26, but it would not be sufficient to meet its obligations independently. The debt repayments mainly include the term loan instalments of Rs. 46 crores in FY25, of which the company has already met around Rs. 40 crores in time. As of March 31, 2024, the unsecured loan from promoters outstanding is Rs. 146.81 crores (PY: Rs. 77.78 crores).
There are no major capex and R&D plans except maintenance capex of Rs. 15-30 crores in the next two years. TKPL enjoys considerable financial flexibility and technical support from its promoter group. Its management has a track record of incubating and developing pharmaceutical businesses globally. The company, on an average, has utilized 70-80% of its fund based working capital limit of Rs. 20 crores and cash balance is negligible.
As per the discussions with the management and the past track record of promoters supporting the entity, CARE Ratings understands that the parent company will continue infusing funds on a need basis to TKPL. There are firm commitments to contribute around Rs. 50-60 crores in FY26 made by the promoters. Any weakening linkages or change in support philosophy of the promoters would e a key monitorable.

Assumptions/Covenants- Not applicable

Environment, social, and governance (ESG) risks – Not given as company is unlisted

Applicable criteria

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

Founded in 2007 and based in Bengaluru, Tenshi is promoted by Mr Arun Kumar, who is also the promoter of leading listed pharmaceutical company Strides. Tenshi currently has two business segments:

(i) Platform Technology ("PT") Division - Manufacture of advanced finished dosage products such as rapid dissolve tablets, through proprietary technology platforms; also includes licensing with respect to the rapid dissolve technologies and revenue from provision of R&D services to a group company.

(ii) CDMO Division - Provision of contract manufacturing service to a single customer - Aspen Pharmacare, Australia.

In FY24, Tenshi registered revenues of ~Rs. 82 crores, out of which the PT division contributed to ~53%, and the remaining was derived from the provision of CDMO services. The company currently has two facilities located at Harohalli, Bangalore which is capable of manufacturing Lyophilized Orally Disintegrating Tablets. For the last 6-7 years TKPL was in R&D phase and the company intended to expand in US. Owing to COVID related delays, the same was moved to India. The new unit will provide additional capacity of 225 million units. Full scale production is expected to start from Q3FY26.

Brief Financials – Standalone (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	63.53	81.47	77
PBILDT	-15.29	-6.34	-24
PAT	-166.50	-78.66	-69
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited NA: Not available NM: Not meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: The company has outstanding non-cooperation rating with ICRA at 'ICRA B+/Stable Issuer not cooperating vide their press release dated Jan 24, 2025 on account of lack of adequate information.

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 various 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 along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	20.00	CARE BB; Stable / CARE A4
Term Loan-Long Term		-	-	30th April 2029	138.67	CARE BB; Stable

Annexure-2: Rating history for the 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-Working Capital Limits	LT/ST	20.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (03-Apr-24)	-	-	-
2	Term Loan-Long Term	LT	138.67	CARE BB; Stable	1)CARE BB; Stable (03-Apr-24)	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the 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 - LT/ ST-Working Capital Limits	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any 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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