Laurus Labs Limited

July 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	830.61 (Enhanced from 804.43)	CARE AA; Stable	Reaffirmed; Outlook revised from Negative
Long-term / Short-term bank facilities	1,445.00 (Reduced from 1,545.00)	CARE AA; Stable / CARE A1+	Reaffirmed; Outlook revised from Negative
Short-term bank facilities	1,365.00 (Enhanced from 1,085.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the outlook of the long-term rating for bank facilities of Laurus Labs Limited (Laurus) reflects the company's improved performance in FY25, marked by growth in total operating income (TOI), uptick in profitability margins, and strengthening debt coverage indicators. These developments are in line with earlier expectations and indicate a positive shift in the company's financial risk profile. The stable outlook remains supported by anticipated scale-up of the contract development and manufacturing organisation (CDMO) segment in FY26, which is expected to contribute meaningfully to revenue growth and margin expansion, aided by better capacity utilisation and operational execution.

Ratings are underpinned by Laurus's experienced promoters, who have a long-standing presence in the pharmaceutical industry, its strong corporate governance and its reputable, geographically diversified customer base. The company's new growth initiatives, including a joint venture with KRKA Pharma Private Limited (KRKA), further strengthen ratings. The company's substantial capacities and potential for scaling up in the coming years also support ratings. However, ratings are constrained by an elongated operating cycle, revenue concentration in specific products and therapeutic segments, ongoing debt-funded capital expenditure for significant additions in synthesis and bio divisions are expected to keep pressure on the capital structure. The company is also exposed to regulatory risks and foreign exchange fluctuation risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Maintaining growth of 10% to 15% at TOI level.
- Sustaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 25%

Negative factors

- Total debt to PBILDT, going beyond 2.75x on a sustained basis.
- Pressure on PBILDT margin on a sustained basis.
- Elongating operating cycle beyond 190 days.

Analytical approach: Consolidated

CARE Ratings Limited (CareEdge Ratings) has adopted a consolidated approach for arriving at ratings of Laurus given the strong operational linkages among its subsidiaries. Companies considered for consolidation is listed under Annexure-6.

Outlook: Stable

The Stable outlook reflects expectation that operational and financial performance of the rated entity is likely to improve, leading to a gradual strengthening of its credit profile, including better cash flow generation, improved debt coverage metrics, and enhanced financial flexibility.

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

Detailed description of key rating drivers:

Key strengths

Strong product portfolio catering to different therapeutic segments

The company has a strong product portfolio spread across active pharmaceutical ingredients (API), formulation and synthesis. Laurus has a portfolio with over 60 commercialised APIs with strong presence in antiretroviral (ARV) and oncology, which put together contributed ~72% of the total APIs revenue in FY25. Other APIs includes cardiovascular, diabetes and asthma products. The company has filed a total of 90 drug master files (DMFs), of which, seven DMFs were filed in FY25. The company has also filed 44 abbreviated new drug application (ANDA), of which, 35 (includes 14 tentative approvals) have been approved. Apart from ARV in formulation, the company caters to therapeutic segments such as cardiovascular, CNS and Gastrointestinal. In synthesis company currently has over 100 active projects (including animal health), which are in phase I, II and III.

Reputed and geographically diversified customer base

The company has a reputed and geographically diversified customer base for API and formulation. The expansion in scale of operation in the formulations segment has resulted in addition of new customers and other players in low-and-middle income countries (LMIC) market. In the CDMO segment, it has also signed several new clinical-stage projects with few big pharma companies. Historically, the company's revenue profile has been well-diversified, with a substantial portion generated from export markets. Export sales are well-distributed across key geographies, providing a balanced revenue mix and limiting overreliance on a single region. CareEdge Ratings expects revenue contribution from regulated market to be ~35%-40% of the total revenue and the balance shall be contributed by domestic and semi-regulated markets.

Accredited manufacturing facilities

Laurus has 11 manufacturing sites, of which, nine are in Vizag and two in Bangalore. This apart, the company has two Research and Development (R&D) facilities. The company's six manufacturing facilities are approved by the USFDA. Some sites are also approved by other regulatory authorities such as ANVISA Brazil, and WHO Geneva among others. The company has eight manufacturing units for APIs, one for FDF, seven inclusive units for CDMO, and two for bio-ingredients.

Proven research and development (R&D) capabilities

Laurus' Research & Development centre spread over 10 acre is at IKP Knowledge Park, Hyderabad. The R&D Centre houses Regulatory Affairs, IP Management, and Quality Assurance. This apart, the company has also commenced operations at new R&D at Genome Valley, Hyderabad from November 2024. The R&D facilities are staffed by over 1200 R&D scientists in over 55 laboratories. The company incurred a total R&D spend of ~₹ 257 crore in FY25 (~4.60% of TOI) against ₹241 crore (4.75% of TOI) spent in FY24. The R&D team focuses on projects that would generate long-term revenues/profits. The operational team also focuses on improving processes to expand yield and reduce waste. The R&D centre (Hyderabad) is approved by the FDA (USA), FDA (KOREA), and TGA (AUSTRALIA). CareEdge Ratings expects company to continue spend between four to five percent of its revenue towards R&D. The consistent R&D spend is likely to support long-term growth by strengthening its product pipeline and enhancing technological capabilities.

Healthy improvement in overall operational performance

Laurus has witnessed overall improvement in its operational performance. In FY25, the company has seen revenue growth of ~10% to ₹5557 crore from ₹5044 crore reported in FY24. The growth was supported by uptick in the CDMO segment, which contributed ~28% (₹1534 crore) of total revenue (PY: ₹1082 crore ~21%). The other two segments API and FDF contributed ~44% (₹2438 crore) and ~28% (₹1582 crore) respectively. In line with improvement in revenue, especially the high margin CDMO segment , PBILDT margins also improved by 352 bps to 19.04% from 15.52% reported in FY24. Improvement in margins was supported by higher contribution from CDMO segment. CareEdge Ratings expects that with improved execution and a higher anticipated contribution from the CDMO segment, the company's margins will expand further by ~150-200 basis points in the coming years. This margin improvement is likely to be supported by enhanced operating leverage, increased focus on value-added offerings, and more efficient capacity utilisation within the CDMO business.

Improved capital structure and debt coverage indicators

Improvement in overall business performance in FY25 also translated in a healthier capital structure. Debt to equity ratio and overall gearing improved to 0.24x and 0.64x as on March 31, 2025 (0.31x and 0.68x as on March 31, 2024) respectively. Other Debt risk metrics (term debt/gross cash accruals [GCA] and total debt/GCA) improved in FY25 to 1.38x and 3.63x (against 2.28x and 4.94x in FY24) due improvement in GCA. Total term loan outstanding has decreased from ₹1117.76 crore in as on March 31,2024 to ₹978.78 crore as on March 31,2025. Interest coverage parameters (PBILDT/interest and PBIT/interest) also improved to 4.90x and 2.91x in FY25 (4.28x and 2.18x in FY24) considering improvement in profitability. Going forward, CareEdge Ratings expects that the company's capital structure is expected to strengthen further, supported by improved operational performance and enhanced cash flow generation.

Key weaknesses

Ongoing capex partly funded through debt

The company spent ~₹1200 crore in FY24 and FY25 on growth capex. The capex is incurred in increasing its capacity in CDMO segment and through its subsidiary Laurus Synthesis for building the facility for animal health and crop protection product. The capex is partly funded through debt, which led to rise in total debt and concomitantly higher interest cost. Per the management, CDMO assets are still commissioning or ramping up, leading to underutilisation of assets. If these capacities are scaled up, then with improvement in TOI, the benefit of operating leverage will help the company improve its profitability. CareEdge Ratings notes that the company plans to incur additional capital expenditure of ~₹2000 crore in FY26–FY28, primarily to expand capacities in its CDMO segment, covering human health, animal health, crop protection, and biotechnology. This planned investment and its successful execution, and the company's ability to generate meaningful returns, will remain key rating monitorable.

Exposure to regulatory risk

The company is exposed to regulatory risk with its operations centered majorly into manufacturing pharmaceutical APIs and formulations. The pharmaceutical industry is highly regulated in many other countries and requires 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. Delays or failures in getting approval for new product launch could adversely affect the company's business prospect. Given India's significant share in the USA's generic market, the USFDA 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 and may impact a company's future approvals from USFDA. Hence, ongoing regulatory compliance has become critical for Indian pharma companies. However, for Laurus, risk pertaining to regulatory compliance of the USFDA is limited as the company derives less than 10% of revenue from the US market.

Foreign exchange fluctuation risk

Laurus is exposed to foreign exchange fluctuation risk in view of large volume and high value transactions of export and import, a phenomenon common to the players in the industry. However, Laurus uses derivative instruments primarily to hedge foreign exchange. The company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges a part of these risks by using derivative financial instruments in line with its risk management policy. For Laurus, the risk gets mitigated to a certain extent as contracts have clause embedded for the exchange rate fluctuation and there is natural hedging through netting off the imports and exports to a large extent.

Liquidity: Strong

The company's liquidity position is strong marked by healthy cash accruals of over ₹750 crore in FY25 against repayment obligations of ~₹320 crore in FY25. The company had cash balance of ₹144 crore as on March 31, 2025. Considering cash accruals generated by the company in the past and its future business prospects, CareEdge Ratings expects that it would be able to meet its total term debt obligation ~₹340 crore in FY26 and ~₹320 crore in FY27. The company is also expected to incur capex of ~₹1500 crore over two years, which will be funded through debt and equity. Considering cash accruals generated by the company in the recent past and estimated accruals, it is expected that the company would be able to meet its debt obligations comfortably after meeting its capex and increased working capital requirements.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

For the pharma industry, the main factor of ESG affecting the sector is social aspects such as product safety and quality, human capital and development, and access to healthcare. Governance remains a universal concept affecting all sectors and geographies. Among ESG factors, majority pharma companies seem to be focusing on product quality and safety, and regulatory compliance in governance. Since these companies 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. It might also result in regulatory ban on products/facilities (as in recent cases of import alerts issued by the USFDA to top pharma companies) and may impact a company's future approvals from regulators such as the USFDA.

In case of Laurus, the company has implemented sustainability management and invested in green chemistry platforms such as Bio-enzyme catalysis and continuous flow chemistry. For clean energy, the company acquired ~26% stake in Ethan Energy to boost captive renewable power. The company signed GHG commitment with Science Based Targets initiative (SBTi) in December 2023. The company initiated new system certification ISO 50001:2018 (energy management systems) across all its companies. In FY25, company was included in S&P Global yearbook 2025 and is the only company to be named as "Industry Mover" from pharma industry. Its DJSI ESG score has improved to 73 from 59 previous year.

Applicable criteria

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

About the company and industry

Industry classification

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

Founded in 2005, Laurus is a research-driven pharmaceutical and biotechnology company. It is promoted by Dr C Satyanarayana. Laurus has a global leadership position in select APIs including anti-retroviral, oncology drugs, cardiovascular, and gastro therapeutics. Laurus also offers integrated CDMO services to global innovators from clinical phase drug development to commercial manufacturing.

Brief Consolidated Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	5044.49	5556.82
PBILDT	783.09	1058.14
PAT	162.27	358.34
Overall gearing (times)	0.68	0.64
Interest coverage (times)	4.28	4.90

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	-	-	-	31/12/2031	830.61	CARE AA; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	1445.00	CARE AA; Stable / CARE A1+
Fund-based - ST-Working Capital Demand loan	-	-	-	-	527.00	CARE A1+
Non-fund-based - ST-BG/LC	-	-	-	-	785.00	CARE A1+
Non-fund-based - ST-Forward Contract	-	-	-	-	53.00	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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	830.61	CARE AA; Stable	-	1)CARE AA; Negative (20-Jun-24)	1)CARE AA; Stable (22-Jun-23)	1)CARE AA; Stable (23-Jun-22)
2	Non-fund-based - ST-BG/LC	ST	785.00	CARE A1+	-	1)CARE A1+ (20-Jun-24)	1)CARE A1+ (22-Jun-23)	1)CARE A1+ (23-Jun-22)
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	1445.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Negative / CARE A1+ (20-Jun-24)	1)CARE AA; Stable (22-Jun-23)	1)CARE AA; Stable (23-Jun-22)
4	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	-	1)Withdrawn (20-Jun-24)	1)CARE A1+ (22-Jun-23)	1)CARE A1+ (23-Jun-22)
5	Non-fund-based - ST-Forward Contract	ST	53.00	CARE A1+	-	1)CARE A1+ (20-Jun-24)	1)CARE A1+ (22-Jun-23)	1)CARE A1+ (23-Jun-22)
6	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (20-Jun-24)	1)CARE A1+ (22-Jun-23)	1)CARE A1+ (23-Jun-22)
7	Fund-based - ST-Working Capital Demand loan	ST	527.00	CARE A1+	-	1)CARE A1+ (20-Jun-24)	1)CARE A1+ (22-Jun-23)	-

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-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Fund-based - ST-Working Capital Demand loan	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Non-fund-based - ST-Forward Contract	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	Sriram labs Private Ltd	Full	Subsidiary
2	Laurus Synthesis Pvt Ltd	Full	Subsidiary
3	Laurus Bio Pvt Ltd	Full	Subsidiary
4	Laurus Holdings Ltd	Full	Subsidiary
5	Laurus Generics Inc.	Full	Subsidiary
6	Laurus Generics GmbH	Full	Subsidiary
7	Laurus Generics SA (Pty) Ltd	Full	Subsidiary
8	Laurus Speciality Chemicals Pvt Ltd	Full	Subsidiary
9	Immunoadoptive Cell Therapy Pvt Ltd	Moderate	Associate
10	Ethan Energy India Pvt Ltd	Moderate	Associate
11	KRKA Pharma Private Ltd	Proportionate	Joint Venture

Note on complexity levels of rated instruments: CareEdge 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, CareEdge 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 Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge 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, CareEdge 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. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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