# Reliance Life Sciences Private Limited (Revised)

February 21, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 600.00 | CARE AAA; Stable | Reaffirmed |
| Short-term bank facilities | 400.00 | CARE A1+ | Reaffirmed |

Details of facilities in Annexure-1.

## Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Reliance Life Sciences Private Limited (RLSPL) continue to draw significant comfort from its parentage, with 100% ownership of the company being held by the resourceful Reliance group of companies (led by Mukesh Ambani), which has also infused significant unsecured loans in the company. The ratings are further underpinned by the niche nature of its therapeutic products in the life sciences sector, strong market position of its key products in the biopharmaceutical segment, integrated in-house infrastructure and capabilities in Research & Development (R&D), process development, clinical development, manufacturing and marketing, accreditations from national and global agencies as well as various patents held by RLSPL. Furthermore, the ratings continue to draw strength from significant improvement in its scale of operations and profitability during FY22 (refers to the period April 1 to March 31) & 9MFY23 as well as very low dependence on external debt and its strong liquidity.

The above rating strengths are partially offset by the prevalent regulatory risks in both, domestic and international markets, as well as inherently long gestation life cycle of the products dealt by RLSPL, and the risks associated with its large-size planned capex.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors:** Not Applicable

**Negative factors**

- Any change in the Reliance (Mukesh Ambani) group's strategy, impacting financial flexibility of the company.
- Any adverse impact of regulatory changes on the operational performance of the company.

## Analytical approach: Consolidated (Revised from Standalone)

RLSPL has incorporated a wholly owned subsidiary viz. Reliance Life Sciences Nashik Private Limited (RLSNPL) in order to carry out its greenfield expansion at Nashik. Hence, CARE Ratings Limited (CARE Ratings) has now taken a consolidated analytical approach owing to financial and operational linkages of RLSPL with its subsidiary along-with common management.

CARE Ratings has also factored in the strong linkages of RLSPL with the Reliance group whereby, RLSPL's ratings derive comfort from the resourcefulness, financial strength and flexibility of the ultimate promoter, Reliance Group of companies, led by Mukesh Ambani, with Reliance Industries Limited (RIL) being the flagship company of the group. RLSPL is one of the key ventures of the Reliance Group in the pharmaceutical business segment, whereby, the group has supported its operations and growth plans through infusion of unsecured loans and preference shares. The group has also extended its common corporate brand name "Reliance" to RLSPL. List of companies getting consolidated in RLSPL is given in **Annexure-4**.

## Key strengths

**Strong promoter group (Reliance, Mukesh Ambani Group) with demonstrated support which is likely to sustain:** RLSPL is an initiative of the Mukesh Ambani-led Reliance group of companies. The Reliance Group is the largest private sector enterprise in India, with presence across varied businesses in the energy and materials value-chain, along-with ventures in consumer-facing businesses. The flagship company, Reliance Industries Limited (RIL, rated CARE AAA; Stable/ CARE A1+), is a Fortune Global 500 company. By virtue of being a part of the Reliance group, RLSPL, while independent in its day-to-day operations, gets need-based support from various group companies. The promoters/group companies have, in the past, infused funds in the form of long-term unsecured loans and preference shares in RLSPL. The company has outstanding preference shares of ₹19.75 crore held by a promoter entity. Moreover, the group entities have provided long-term unsecured loans of ₹735 crore to RLSPL as on March 31, 2022.

**Dominant position in two key products; deep product pipeline:** RLSPL is one of the major manufacturers of plasma proteins in South Asia. The company is an integrated manufacturer of Human Albumin and Immunoglobulin in South Asia and holds a strong market position in these two product categories in the domestic market. There are significant entry barriers for

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

integrated manufacturers in plasma proteins because of the limited sources of plasma and plasma intermediates as well as the complexity in manufacturing and testing of these products. RLSPL has developed the entire supply chain and technology of manufacturing and testing these products over the past decade. Plasma proteins are largely supplied directly by RLSPL, under its own brand, to hospitals in India and other foreign markets, whereas in the UK market, it is through third parties.
RLSPL has launched five of the world's first biosimilars and has the largest number of biosimilars in the market in India, along with a large number of biosimilars under development. RLSPL is also developing several biopharmaceutical and pharmaceutical products for the Indian and international markets, which is expected to translate into revenue potential for the company in future. RLSPL also exports its products to the overseas markets, and currently, has presence in 65 countries.

**Continued improvement in its operational and financial performance:** RLSPL's TOI grew by 48% y-o-y in FY22 to ₹1,969 crore, as compared to ₹1,333 crore in FY21. This was mainly due to improved performance of the biopharmaceutical and pharmaceutical segments as well as due to the high demand of COVID-19 diagnostics during the year. During FY22, the PBILDT margin improved to 40.68% from 26.70% in FY21, mainly due to the high-margin COVID-19 diagnostics business, high margin product mix, improved sourcing of input materials, increase in realisations in the export markets as well as improved sales in high margin US and UK markets. During the current year, the revenue and profitability continued to improve further, led by increased revenue from the biopharmaceuticals, pharmaceuticals and COVID-19 diagnostics segments.

**Integrated in-house infrastructure and capabilities in R&D, process development, clinical trial, manufacturing and marketing:** RLSPL operates state-of-the-art facilities in the life sciences domain, with Dhirubhai Ambani Life Sciences Centre (DALC) being among the most diverse and integrated life sciences centres in the world. The company is capable of undertaking R&D in a wide range of fields and its manufacturing units are well integrated with facilities for repository, laboratory research, pre-clinical research and clinical trials. The company's in-house R&D facility is recognised by the Department of Scientific and Industrial Research (DSIR). RLSPL operates facilities for manufacturing plasma proteins, biosimilars and pharmaceuticals products that are WHO-GMP approved. RLSPL is one of the few centres in the world offering a specialised range of tests in molecular medicine and molecular genetics.

**High level of quality standards with accreditations from national and global agencies:** The business of developing and producing biopharmaceuticals, pharmaceuticals and other high-end products entail high level of quality standards. The biopharmaceutical and pharmaceutical product manufacturing plants of the company are approved by European regulatory authorities as well as health authorities of various countries, including Brazil, Columbia, Egypt and Turkey. RLSPL enjoys accreditations from various accrediting organisations, such as the College of American Pathologists (CAP), the National Accreditation Board for Testing and Calibration Laboratories (NABL), Clinical Laboratory Improvement Amendments (CLIA), the American Association of Blood Banks (AABB), accreditations for cord blood repository, and the Organisation of Economic Cooperation and Development-Good Laboratory Practices (OECD-GLP).

**Stable outlook for Indian pharmaceutical industry and favourable growth prospects in the biopharmaceuticals segment:**
With a market size of around USD 47-49 billion in FY22, the Indian pharmaceutical industry globally ranks third in terms of volume and thirteenth in terms of value. The industry has exhibited a compound annual growth rate (CAGR) of about 8%-9% during FY17-FY22 and registered a growth of about 5%-7% during FY22, largely driven by higher domestic consumption, even as the exports value was stable at USD 24.60 billion in FY22. The growth in domestic pharma industry is expected be driven by increase in the penetration of health insurance, improving access to healthcare facilities, rising prevalence of chronic diseases and rising per capita income. The export growth is expected to be led by increasing generic penetration in the regulated markets on the back of enhanced focus on the niche and complex product segments, patent expiries, medicine patent pool announcing licensing agreement with pharmaceutical companies and growing demand from semi-regulated pharma markets.
The United States of America (USA) continued to be the prime export destination for the industry, constituting nearly 34% of total exports during FY22, which registered a growth of 2% in USD terms while export to the Rest of the World (ROW) witnessed a decline of 7%. Based on industry aggregates that represent over 85% of the overall pharma market, the operating profitability has remained stable at about 23% during the last four years (FY21 being the exception). However, with various factors affecting the Indian pharma entities, CareEdge expects operating profitability to taper by 200-250 bps in FY23.
India is the third-largest biotechnology destination in Asia Pacific and one of the top 12 biotechnology locations worldwide. India's biotechnology sector reached USD 80.12 billion in 2022, up 14% from the previous year. In the Indian biotechnology market, Biopharmaceuticals, which is the largest segment, accounted for around 68% in 2022. Rising domestic and international demand is propelling the Indian biotechnology sector forward. Domestic demand is being fueled by initiatives such as Atmanirbhar Bharat and Make in India, while worldwide demand for Indian vaccines and biopharmaceuticals is being driven by India's globally competitive efficacy. The global biopharma market is expected to nearly double in the next five years, from US$ 267 billion in

2019 to US$ 528 billion by 2026, which presents an opportunity for Indian life-sciences companies. From its current share of only 8% in the overall biopharma manufacturing space, India has the potential to replicate its generics dominant position in this segment as well. India's expertise, infrastructure and investments can help the country soon command a share of 20-30% within the next decade.

## Liquidity: Strong

Liquidity is marked by strong annual cash accruals of more than ₹500 crore with no external term debt as on March 31, 2022. Furthermore, RLSPL has shored-up its liquidity marked by free cash balance as well as liquid investments in the form of mutual funds to the extent of around ₹634 crore as on March 31, 2022. The company has a low utilisation of its fund-based working capital limits, which provides an additional liquidity cushion. With no external debt as on March 31, 2022, RLSPL has sufficient gearing headroom to raise additional debt for its capex. Moreover, even after completing its planned capital expenditure by end-FY25, it is expected to have a strong liquidity position. Furthermore, being a part of the Reliance group, the company enjoys superior financial flexibility.

## Key weaknesses

**Regulatory and legal risks with respect to acceptability and approval of products with small target market (metros and mini-metros) due to highly priced niche products:** All the products that are being sold by RLSPL are manufactured in-house and are high-end niche products. These products, in general, take a longer time to develop, and furthermore, require additional time before they can be marketed, as they must pass through rigorous regulatory examination and clinical trials. Even after these products have been fully developed, they have to undergo a rigorous testing process by regulatory authorities in various countries, with each country having its own set of rules and regulations. Some of these products take seven to eight years to develop. Moreover, the kind of drugs in which RLSPL specialises are not widely used in India as they are quite expensive. Hence, the market, although growing, is still at a nascent stage and is expected to take some time to mature.

**Risks associated with implementation and stabilization of large-size greenfield project as well as expansion capital expenditure:** RLSPL has planned to undertake a greenfield project of building a research and manufacturing facility at Dindori, Nashik, like the existing one at DALC through its wholly-owned subsidiary RLSNPL. The proposed facility will have verticals such as Plasma Proteins, Biosimilars, Pharmaceuticals, Clinical Research, Regenerative Medicine, Cord Blood Repository and Diagnostics. The total cost of this greenfield project is estimated at around ₹2,500 crore, which is planned to be funded from available liquidity, internal accruals and unsecured loans by the promoter entities on a need basis. RLSPL has also envisaged a capex of around ₹600 crore during FY23 and FY24 w.r.t expanding its existing capacity which is planned to be funded by external debt maximum to the extent ₹400 crore and remaining through the available liquidity. The completion of the greenfield capex in RLSNPL as well as expansion capex in RLSPL in a timely manner and stabilization as well as revenue generation from the same will be a key monitorable.

## Applicable criteria

Criteria on assigning 'outlook' and credit watch to Credit Ratings
CARE's Policy on Default Recognition
Liquidity Analysis of Non-financial sector
Rating Methodology: Pharmaceutical Sector
Rating Methodology: Manufacturing companies
Financial ratios: Non-Financial sector
Criteria for Short Term Instruments
Rating Methodology: Factoring Linkages Parent Sub JV Group
Rating Methodology: Consolidation

## About the company and industry

## Industry Classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Healthcare | Healthcare | Pharmaceuticals & Biotechnology | Biotechnology |

RLSPL is a diversified and integrated biotechnology initiative of the Mukesh Ambani-led Reliance Group. RLSPL was incorporated in 2001 to develop business opportunities in the medical, plant and industrial biotechnology sectors. RLSPL is primarily involved in biopharmaceuticals (plasma proteins, bio-similars, novel proteins), pharmaceuticals (Active Pharmaceutical Intermediates

[APIs], formulations, drug discovery), clinical research services (Pre-clinical animal studies, bio availability and bio equivalence studies, Phase 1 to Phase 4 studies etc.), regenerative medicine (stem cell therapies, tissue engineered products, etc.), molecular medicine (DNA-based diagnostics, molecular genetics, predictive diagnostics), novel therapeutics (RNA molecules), R&D activities and industrial biotechnology (biopolymers, bio-chemicals).
The main facility of RLSPL is located at Dhirubhai Ambani Life Sciences Centre (DALC) in Navi Mumbai. Clinical research services are also provided out of DALC. The company also conducts biofuel agronomy research at farms located in Kakinada (AP), Raviguntapalli (AP), Nagothane (Maharashtra).

| Brief Financials - Consolidated (₹ crore) | FY21 (A) | FY22 (A) | 9MFY23 (Prov.) |
|---|---|---|---|
| Total operating income | 1332.33 | 1969.45 | NA |
| PBILDT | 355.70 | 801.23 | NA |
| PAT | 119.38 | 464.08 | NA |
| Overall gearing (times) | 1.24 | 0.75 | NA |
| Interest coverage (times) | 5.94 | 11.50 | NA |

A: Audited, Prov.: Provisional, NA – Not Available; Financials classified as per CARE Ratings Limited Standards

As per 9MFY23 results (standalone), RLSPL reported a total operating income of Rs.1917.71 crore with PBILDT of Rs.850.28 crore and PAT of Rs.504.87 crore.

**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:** Not applicable

**Complexity level of various instruments rated for this company:** Annexure-3

**Lender details:** Please refer to Annexure-5

## Annexure-1: Details of facilities

| Name of the Instrument | 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-Term Loan | - | - | 31-03-2026 | 400.00 | CARE AAA; Stable |
| Fund-based-Long Term | - | - | - | 200.00 | CARE AAA; Stable |
| Non-fund-based-Short Term | - | - | - | 400.00 | CARE A1+ |

## 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 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based-Long Term | LT | 200.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (24-Jan-22) | 1)CARE AAA; Stable (06-Jan-21) | 1)CARE AAA; Stable (03-Feb-20) |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 2 | Non-fund-based-Short Term | ST | 400.00 | CARE A1+ | - | 1)CARE A1+ (24-Jan-22) | 1)CARE A1+ (06-Jan-21) | 1)CARE A1+ (03-Feb-20) |
| 3 | Fund-based - LT-Term Loan | LT | 400.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (24-Jan-22) | 1)CARE AAA; Stable (06-Jan-21) | 1)CARE AAA; Stable (03-Feb-20) |

*Long term/Short term.

## Annexure-3: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Term Loan | Simple |
| 2 | Fund-based-Long Term | Simple |
| 3 | Non-fund-based-Short Term | Simple |

## Annexure-4: List of entities getting consolidated in RLSPL

| Sr. No. | Name of the entity | % holding of RLPSL as on March 31, 2022 |
|---|---|---|
| 1 | Reliance Life Sciences Nashik Private Limited | 100% |

## Annexure-5: Lender details

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|---|
| 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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