

CSD/BSE&NSE/2024-25
November 29, 2024

To
The Manager
Department of Corporate Services
BSE Limited
25th Floor, P. J. Towers,
Dalal Street, Mumbai - 400 001

To
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: 543064

Scrip Symbol: SUVENPHAR

Dear Sir/Madam,

Sub: Credit Rating

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Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we wish to intimate you that the CRISIL has assigned the following ratings to the Bank facilities of our Company as per communication received on November 29, 2024.

Facilities	Rating
Long Term Rating	CRISIL A+/Watch Positive (Continues on 'Rating Watch with Positive Implications')
Short Term Rating	CRISIL A1+ (Reaffirmed)

This is for your information and record.

Thanking you.

Yours faithfully,
For **Suven Pharmaceuticals Limited**

Kundan Kumar Jha
Company Secretary, Compliance Officer and Head-Legal

Suven Pharmaceuticals Limited

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Rating Rationale

November 29, 2024 | Mumbai

Suven Pharmaceuticals Limited

Long-term rating continues on 'Watch Positive'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.72.5 Crore
Long Term Rating	CRISIL A+/Watch Positive (Continues on 'Rating Watch with Positive Implications')
Short Term Rating	CRISIL A1+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has continued its rating on the long-term bank facilities of Suven Pharmaceuticals Limited (SPL) on '**Rating Watch with Positive Implications**'; the short-term rating has been reaffirmed at 'CRISIL A1+'.

CRISIL Ratings had placed the long-term rating on watch positive on Feb 29th, 2024, regarding the scheme of amalgamation of Cohance Lifesciences Ltd (CLL) into and with SPL. The scheme is subject to necessary statutory and regulatory approvals including the approvals from the National Company Law Tribunal, the stock exchanges, SEBI and the shareholders and creditors of each of the companies etc. The proposed amalgamation is expected to create a diversified contract development and manufacturing organization (CDMO) with three engines of growth – pharmaceutical CDMO, specialty chemical CDMO and APIs (including formulations). Further, it is expected to result in multiple synergy benefits that can help accelerate growth and improve margins.

Company has received approvals from stock exchanges and SEBI. Further NCLT has directed the company to convene shareholders meetings for approval of the amalgamation.

CRISIL Ratings will keep a close watch on the transaction status of the above amalgamation and acquisitions and its impact on the overall business and financial performance of the group. The ratings shall be removed from watch and a final rating action will be taken once there is more clarity on these aspects and transactions. Any material impact on the credit profile of the company will remain a key monitorable over the medium term.

The ratings continue to reflect Suven group's established market position, and its strong financial profile. These strengths are partially offset by working capital intensive operations and exposure to customer concentration risk.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has combined the business and financial risk profiles of SPL with its 100% subsidiary, Suven Pharma Inc & Sapala Organics Pvt Ltd. This is because these companies, collectively referred to as the Suven group, have a common management team, are in similar lines of business, and have operational linkages and fungible cash flow.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation

Key Rating Drivers & Detailed Description

Strengths:

Established market position

The group has established market position in the contract research and manufacturing services (CRAMS) segment and is among the top five players in India who supply high-end intermediaries to innovators. Further, long-term contracts with the established and reputed principals also aid steady order flow. Market position has remained strong with company reporting Rs. 1051 crores of topline in fiscal 2024 and Rs. 488 crores in first half of the ongoing fiscal. CRISIL expects the market position to strengthen further with the completion of amalgamation with CLL.

Strong financial risk profile

Financial risk profile has remained strong with minimal reliance on external debt and healthy networth base. Networth remained strong at around Rs. 1978 crores as on Sept 30, 2024, and is estimated to be around Rs. 2200 crores by the end of the ongoing fiscal. Capital structure also continues to be strong and will continue at less than 0.05 times in the medium term. Debt protection metrics also remained robust with interest coverage of above more than 40 times and is expected to continue strong in the medium term on back of no debt funded capex in pipeline.

Weakness:

Working capital-intensive operations

Operations remain moderately working capital intensive with estimated gross current assets (GCAs) of 180-200 days as on March 31, 2025. The higher GCA days are mainly due to the higher inventory levels of 4-5 months due to long time taken for product approvals and higher inventory maintained to cater the bulk orders from the customers.

Exposure to customer concentration risk

The top five customers contribute a substantial share of the revenue, exposing the company to customer concentration risk.

Liquidity: Strong

Net cash accruals estimated to be above Rs. 300 crs in fiscal 2025 against which the company doesn't have any term debt obligations. Average bank limit utilization was moderate at 83% on average for the 12 months ended November 2023.

Liquidity is further supported by investments of around Rs.713.7 crore in Debt Mutual funds and Bonds as on Sept 30, 2024. These are expected to continue to increase over the medium term with significant accretion to reserves.

Environment, social, and governance (ESG) profile

CRISIL Ratings believes Suven's ESG profile supports its already strong credit risk profile.

The pharmaceutical sector can have a significant impact on the environment on account of greenhouse gas emissions, water use and waste generation. The sector's social impact is characterized by impact on the health and wellbeing of consumers on account of its products and on employees and local community on account of its operations.

Key ESG highlights

- Suven has been handling multiple projects to reduce Green House Gas emissions. The implemented or ongoing project includes installation of In-house Solar power generation system, replacing old equipment with energy-efficient equipment, replacing CFL bulbs with LED, implementing latest technologies etc.
- Suven has successfully implemented a comprehensive Zero Liquid Discharge(ZLD) program, which has the objective of completely eliminating liquid waste from operations. This program encompasses all aspects of business activities and is specifically designed to minimize the discharge of pollutants into the environment. The ZLD system treats wastewaters, recycling them for reuse in utilities, thus helping to decrease fresh water consumption. To achieve this, significant investments have been made in advanced treatment and discharge systems. The water processed through effluent treatment plant(s) is efficiently treated and subsequently utilized for in-house plantation purposes. Furthermore, Suven maintains an ongoing commitment to continuous improvement, constantly exploring innovative approaches to enhance our processes and further reduce environmental footprint.
- It has implemented gender diversity and inclusion policy, human rights policy, suppliers code of conduct, prevention of sexual harassment policy as well as zero tolerance for child labor.
- Suven has adequate governance structure, it has established a grievance redressal policy. Anyone associated with the company can contact wbm@suvenpharm.com to report their concerns. The company will review the matter and, based on its nature, forward it to the appropriate department head at the relevant site. The concerned department will then reach out to the stakeholder, discuss the issue, and work on resolving it promptly.
- Suven has also designated site-level administrators to address and resolve any concerns from local communities. Suven also has board-level ESG committee to provide oversight and direction, and to monitor the ESG strategy and action plans.

There is growing importance of ESG among investors and lenders. Suven's continued commitment to ESG principles will play a key role in enhancing stakeholder confidence and ensure ease of raising capital from markets where ESG compliance is a key factor.

Rating Sensitivity Factors

Upward factors

- Significant strengthening of SPL's market position and production portfolio with the proposed amalgamation leading to net cash accrual of Rs 400 crore.
- Further strengthening of financial risk profile and liquidity

Downward factors

- Steep fall in revenue along with dip in operating margin resulting in lower net cash accrual of under Rs 150-200 crore.
- Higher than expected debt-funded capital expenditure along with stretch in the working capital cycle, leading to weakening of financial risk profile and liquidity.

About the Group

Incorporated in November 2018, SPL is a biopharmaceutical company specialising in New Chemical Entity (NCE)-based CRAMS for global life science companies. It is promoted by Mr Venkateshwarlu Jasti and is based out of Hyderabad, Telangana. SPL is among the top five players in India who supply high-end intermediaries to innovators. The company got listed on the Bombay Stock Exchange and National Stock Exchange on March 09, 2020. The management of the group have recently been changed with acquisition of significant stake of 50.10% of SPL by Berhyanda Limited (fully owned subsidiary of Advent International) as part of its strategy to build a leading end-to-end Contract Development & manufacturing Organization (CDMO) and merchant API player servicing the pharma and specialty chemical markets.

Suven Pharma Inc. is a wholly owned subsidiary of SPL. It is an SPV for undertaking various business opportunities in the Pharma Industry. Suven Pharma Inc. has 7% stake in Raisin Aggregator LP, which is a New Jersey, USA based pharmaceutical company.

Key Financial Indicators

As on/for the period ended March 31	Unit	2024	2023
Operating income	Rs crore	1051.35	1,341.29
Reported profit after tax	Rs crore	300.28	411.29
PAT margins	%	28.56	30.66
Adjusted Debt/Adjusted Networth	Times	0.02	0.04
Interest coverage	Times	62.77	30.66

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	2.50	NA	CRISIL A1+
NA	Letter of Credit	NA	NA	NA	20.00	NA	CRISIL A1+
NA	Packing Credit in Foreign Currency	NA	NA	NA	45.00	NA	CRISIL A+/Watch Positive
NA	Standby Fund-Based Limits	NA	NA	NA	5.00	NA	CRISIL A+/Watch Positive

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Suven Pharmaceuticals Limited	Full	Same line of business and is a parent company
Sapala Organics Private Limited	Full	Same line of business and subsidiary of SPL
Suven Pharma Inc	Full	Same line of business and fully owned subsidiary of SPL

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Fund Based Facilities	LT	50.0	CRISIL A+/Watch Positive	04-09-24	CRISIL A+/Watch Positive	26-12-23	CRISIL A+/Stable	07-04-22	CRISIL A+/Stable	28-01-21	CRISIL A+/Stable	CRISIL A+/Stable
			--	07-06-24	CRISIL A+/Watch Positive	27-09-23	CRISIL A+/Watch Developing		--		--	--
			--	11-03-24	CRISIL A+/Watch Positive	30-06-23	CRISIL A+/Watch Developing		--		--	--
			--		--	04-04-23	CRISIL A+/Watch Developing		--		--	--
			--		--	04-01-23	CRISIL A+/Watch Developing		--		--	--
Non-Fund Based Facilities	ST	22.5	CRISIL A1+	04-09-24	CRISIL A1+	26-12-23	CRISIL A1+	07-04-22	CRISIL A1+	28-01-21	CRISIL A1	CRISIL A1
			--	07-06-24	CRISIL A1+	27-09-23	CRISIL A1+/Watch Developing		--		--	--
			--	11-03-24	CRISIL A1+	30-06-23	CRISIL A1+/Watch Developing		--		--	--
			--		--	04-04-23	CRISIL A1+/Watch Developing		--		--	--
			--		--	04-01-23	CRISIL A1+/Watch Developing		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	2.5	State Bank of India	CRISIL A1+
Letter of Credit	20	State Bank of India	CRISIL A1+
Packing Credit in Foreign Currency	10	Bank of Bahrain and Kuwait B.S.C.	CRISIL A+/Watch Positive
Packing Credit in Foreign Currency	35	State Bank of India	CRISIL A+/Watch Positive
Standby Fund-Based Limits	5	State Bank of India	CRISIL A+/Watch Positive

Criteria Details

Links to related criteria
Rating Criteria for the Pharmaceutical Industry
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufacturing and service sector companies
CRISILs Approach to Financial Ratios
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

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