

## Serum Institute of India Private Limited

December 07, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	2,803.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	350.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Serum Institute of India Private Limited (SIIPL) continue to reflect its leadership position in the vaccine manufacturing segment, highly experienced and resourceful promoters and professionally qualified management with a proven track record of five decades. The ratings also take into account its wide geographic presence along with healthy financial risk profile marked by robust revenues, high operating margins, comfortable gearing levels and healthy liquidity position. The overall gearing of the company even after loading the entire sanctioned limits, outstanding term loans existing in its subsidiaries and exposure in other group entities, still remains comfortable and below 0.15x. It has long-standing affiliations with the international agencies such as the United Nations Children's Fund (UNICEF), and Pan American Health Organisation (PAHO) and its manufacturing facilities conform with the current Good Manufacturing Practices (cGMP) approved by World Health Organization (WHO). The strengths far outweigh the regulatory risks associated with the global pharmaceutical industry.

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

**Positive factors:** Not applicable

#### Negative factors

- Significant and sustained decline in revenue or profitability.
- Deterioration in the capital structure beyond 0.50x either due to un-envisaged debt programme or rise in corporate guarantees extended to group companies.
- Any adverse regulatory outcome.

**Analytical approach:** CARE Ratings Limited (CARE Ratings) has taken a standalone approach and has also factored in the support extended by SIIPL to the various group entities.

#### Outlook: Stable

The stable outlook reflects that the rated entity is likely to maintain its established leadership position in the vaccine industry and would continue to generate healthy cash accruals and strong liquidity position over the medium term.

### Detailed description of the key rating drivers:

#### Key strengths

##### Highly experienced and resourceful promoters and professionally qualified management

SIIPL is the flagship company of the Poonawalla group which is promoted by Dr. Cyrus S. Poonawalla (Padma Bhushan awardee by Government of India in March 2022), who along with his family wholly owns SIIPL through their holding company; Poonawalla Investments and Industries Private Limited along with their other step-down subsidiaries and individual holdings. The group's promoters are resourceful and have presence in wide array of businesses ranging from stud farm, real estate, non-banking finance, aviation, and pharmaceuticals. With a track record of over five decades, SIIPL holds the distinction of being the world's largest vaccine manufacturer by number of doses produced and sold globally, including Polio, Covishield, Diphtheria, Tetanus, Pertussis, HIB, BCG, r-Hepatitis B, Measles, Mumps and Rubella vaccines. Adar Poonawalla, the CEO of SIIPL, leads well-defined organisation structure and is supported by qualified and experienced second-tier management. This brings in high degree of professional management and operational expertise. Therefore, the knowledge, expertise of the technical team along with the promoters and the reputation and long track record of the company in manufacturing vaccine has been key drivers in the growth of SIIPL.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Long-standing affiliations with international agencies and quality certifications for its manufacturing facilities**

SIPL has long-term tie-ups with leading international associations such as WHO, UNICEF, and PAHO. These agreements are long term in nature and signed every year with delivery schedule for the next three years. The existing manufacturing facilities conform to the cGMP requirements approved by WHO, Geneva. The company's manufacturing facility also complies with USFDA, indicating high levels of standards which is important to cater to highly regulated markets of USA and the EU.

**World's largest multifunctional vaccine manufacturing facility**

The company has cGMP-compliant manufacturing units spread across 60 acres in Hadapsar and 58 acres in Manjari located in Pune. These manufacturing units cater production of vaccines as per the regulations of US and European market. Internationally, the company has manufacturing plant over 40 acres, with significant installed capacity of vaccines annually, located in Netherland. The production facilities are fully compliant with cGMP and biopharmaceutical requirements.

**Diversified product portfolio in the vaccine segment**

The company's product segments are majorly divided among bacterial vaccines, viral vaccines and recombinant products. The majority of revenue is derived from bacterial vaccines and viral vaccines. However, there are wide number of vaccines within the bacterial and viral segment, which diversifies the product profile of the company. Furthermore, the company is also engaged in research and development for new vaccines. CARE Ratings expects that the company will continue to maintain its diversified product portfolio and would add more vaccines in its existing portfolio.

**Diversified geographical revenue profile**

SIPL has diversified geographical profile. Historically, the company's revenue profile is dominated by exports. It supplies vaccines to more than 160 countries. During FY23, the contribution of export in the overall revenue of the company stood at 67% with the balance 33% contributed by the domestic market. UNICEF and PAHO, which are among the world's biggest buyer and supplier of vaccines by collaborating with developed, under-developed and developing countries, are the major customers of SIPL. Given the profile of the company, CARE Ratings expects that SIPL's revenue will continue to have higher share of export business contributing about 70% of its overall revenue in the medium term.

**Strong profitability albeit moderation in revenue due to receding demand of COVID-19 vaccine**

SIPL has witnessed consistent growth in its revenue from operations over last five years. The revenue has grown at a compounded annual growth rate (CAGR) of 20.49% to ₹10,190 crore in FY23 from ₹4,012 crore reported in FY18. During FY22, on account of surge in the sale of Covishield vaccine, the company reported record revenue of ₹25,646 crore; however, with the decline in demand for Covishield, during FY23, the revenue moderated by around 60% to ₹10,190 crore. SIPL has been also enjoying strong profitability margins over the years with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin in the range of 55-60% in last 5 years concluding in FY23.

**Strong financial profile**

SIPL had a robust net worth at ₹36,815 crore as on March 31, 2023 (PY: ₹32,807 crore) on account of large accretion to reserves over the years. The strong operating margins (PBILDT margin of 56% and profit after tax [PAT] margin of 41%) and retention of profits in the business kept the net worth strong, providing large cushion in case of any exigency. Also, the company's track record of managing capital expenditure (capex) and working capital management primarily through its own accruals has kept the balance sheet largely unleveraged. The overall gearing of the company as on March 31, 2023, remained comfortable at 0.02. Furthermore, even after loading the entire sanctioned limits, outstanding term loans existing in its subsidiaries and exposure in other group entities, the overall gearing of the company still remains comfortable and below 0.15x. The company's debt protection metrics are also robust with interest coverage ratio of 88x (PY: 254x) and total debt/gross cash accruals (GCA) of 0.12x (PY: 0.05x) in FY23. CARE Ratings believes that with sustainment in the revenue and profitability along with no envisaged debt-funded capex, the company's financial risk profile is expected to remain strong over the medium term.

**Key weakness****Exposure to subsidiaries**

SIPL has various subsidiaries, step-down subsidiaries and associate companies in which it has made investments in the form equity and preference capital. Some of these subsidiaries have loans for which SIPL has extended corporate guarantee. In its analysis, CARE Ratings has loaded the entire sanction limit of the bank facilities and outstanding loans of subsidiaries in the financials of SIPL and notes that the capital structure continues to remain comfortable with sizable liquidity available in SIPL.

**Liquidity: Strong**

The liquidity position of the company is strong marked by healthy liquid investments to the tune of ₹5,404 crore along with cash and bank balance of ₹733 crore as on March 31, 2023. Furthermore, the company has generated strong cash accrual of about ₹4,900 crore during FY23. The working capital requirement of the company are largely met through internal accruals leading to nil utilisation of fund-based working capital limits which provides additional liquidity cushion to the company. CARE Ratings expects that the company will continue to generate cash accruals in the range of ₹4,000-4,500 crore every year in the medium term and will continue to maintain robust liquidity position.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

**Applicable criteria**

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

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[Pharmaceutical](#)

[Policy on Withdrawal of Ratings](#)

**About the company and industry****Industry classification**

Macro-economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & biotechnology	Pharmaceuticals

SIPL was incorporated in 1966 as a partnership firm and promoted by the Poonawalla Group headed by Dr. Cyrus S. Poonawalla to manufacture life-saving immune-biological, which were in short supply in India and were imported at high prices. The company was reconstituted as a public limited company on May 22, 1984, and named 'Serum Institute of India Limited'. Furthermore, on October 21, 2015, the company was converted to a Private Limited company and its name changed to current name. SIPL has established itself as one of the world's largest producer of Measles and DTP (Diphtheria, Tetanus and Pertussis) group of vaccines. It is also the manufacturer of Covishield vaccine against COVID-19 in India.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	25,645.00	10,190.00	4,763.00
PBILDT	17,454.00	5,663.00	2,322.00
PAT	11,115.00	4,187.00	1,933.00
Overall gearing (times)	0.02	0.02	-
Interest coverage (times)	249.34	88.48	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in 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		-	-	-	100.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	2303.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-Short term		-	-	-	350.00	CARE A1+
Non-fund-based-LT/ST		-	-	-	400.00	CARE AAA; Stable / 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 2023-2024	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	2303.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (03-Jan-23)	1)CARE AAA; Stable / CARE A1+ (14-Dec-21)	1)CARE AAA; Stable / CARE A1+ (22-Dec-20)
2	Non-fund-based-LT/ST	LT/ST*	400.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (03-Jan-23)	1)CARE AAA; Stable / CARE A1+ (14-Dec-21)	1)CARE AAA; Stable / CARE A1+ (22-Dec-20)
3	Fund-based - ST-Bank overdraft	ST	-	-	-	-	1)Withdrawn (14-Dec-21)	1)CARE A1+ (22-Dec-20)
4	Fund-based/Non-fund-based-Short term	ST	350.00	CARE A1+	-	1)CARE A1+ (03-Jan-23)	1)CARE A1+ (14-Dec-21)	1)CARE A1+ (22-Dec-20)
5	Fund-based - LT/ST-Working capital limits	LT/ST*	100.00	CARE AAA; Stable /	-	1)CARE AAA;	-	-

				CARE A1+		Stable / CARE A1+ (03-Jan- 23)		
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\*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	Fund-based/Non-fund-based-LT/ST	Simple
3	Fund-based/Non-fund-based-Short term	Simple
4	Non-fund-based-LT/ST	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.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>  <b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: 91 44 2850 1001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	<b>Analytical Contacts</b>  <b>Ranjan Sharma</b> Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754-3453 E-mail: <a href="mailto:ranjan.sharma@careedge.in">ranjan.sharma@careedge.in</a>  Pulkit Agarwal Director <b>CARE Ratings Limited</b> Phone: +91-22-67543505 E-mail: <a href="mailto:pulkit.agarwal@careedge.in">pulkit.agarwal@careedge.in</a>  Naveen Kumar Dhondy Associate Director <b>CARE Ratings Limited</b> Phone: +91-40-4010-2030 E-mail: <a href="mailto:dnaveen.kumar@careedge.in">dnaveen.kumar@careedge.in</a>
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### About us:

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