

October 05, 2023

## Sterisience Specialities Private Limited: Placed on rating watch with developing implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	70.00	70.00	[ICRA]BB; Placed on Rating Watch with Developing Implications
Long-term – Fund based facilities	65.00	65.00	[ICRA]BB; Placed on Rating Watch with Developing Implications
Short-term – Non-fund based Facilities	25.00	25.00	[ICRA]A4; Placed on Rating Watch with Developing Implications
<b>Total</b>	<b>160.00</b>	<b>160.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

On September 25, 2023, Strides Pharma Science Limited (Strides or SPCL/the company) announced that it will be demerging its Contract Development and the Manufacturing (CDMO) segment and soft gelatin business into Stelis Biopharma Limited (Stelis or SBL), subject to regulatory and other approvals. Further, there will be a demerger of CDMO (whole India operations) from Sterisience Specialities Private Limited (Sterisience or SSPL) to SBL. The above businesses will be moved into Stelis, which is being renamed as Onesource, and will be a speciality pharmaceutical company of the group dealing in CDMO with capabilities in biologics, oral soft-gels, complex injectables, sterile injectables, including other complex drug delivery systems. Appointed date for the proposed scheme of arrangement is April 1, 2024. Indicative timeline for completion of the transaction is 12-15 months. This apart, the resultant company i.e., Onesource is also proposed to be listed as part of the scheme.

ICRA notes that the aforesaid development is expected to result in shift of SSPL's entire CDMO operations which is equivalent to its entire India operations to SBL/OneSource. As a result, the company expects ~Rs. 480 crore of revenues, ~Rs. 135 crore of OPBDITA and ~Rs. 200 crore of debt to shift from SSPL to SBL/OneSource with effect from April 1, 2024. SSPL is expected to retain its other global non-CDMO/own products operations.

On account of aforementioned development, ICRA has placed the ratings of [ICRA]BB and [ICRA]A4 outstanding on the Rs.160.00 crore bank lines of SSPL on watch with developing implications since the impact of the demerger is yet to be fully ascertained as the credit risk profile of the company is expected to undergo a change. ICRA will continue to monitor the developments and will take further appropriate rating action as and when further details are available.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#).

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Pharmaceutical Industry</a>
Parent/Group Support	ICRA has taken implicit support from Tenshi, parent company of SSPL, for arriving at the Group's ratings.
Consolidation/Standalone	ICRA has taken a consolidated view of the operational and financial profiles of Sterisience Specialities Private Limited, Sterisience Pte Ltd, Sterisience S.p.Z.oo, Poland, Brooks Sterisience Ltd, given the operational, financial and managerial linkages among the entities.

## About the company

Founded in 2020, SSPL is involved in the business of development, manufacturing, and supply of carbapenems (antibiotic agents), prefilled syringes, liquid vials, lyophilized vials, and peptides. SSPL's roots can be found in Agila Specialties (part of Strides Group up to FY2013) which was a leading global player in the sterile injectables space, after which it was acquired through strategic transaction by Mylan Inc. (now Viatris Inc.). Post the completion of the non-compete agreement with Mylan, Steriscience was incorporated to cater to the specialty and sterile injectable space.

Steriscience has completed developments of over 30 products, and has four manufacturing facilities, and has launched its products in global markets including the US. SPL, also founded in 2020, is a wholesaler of pharmaceutical products. While Steriscience Singapore holds the ANDAs and associated Intellectual Properties (IPs) for various injectable products, SSPL manufactures the said products at its facilities as a contract manufacturer. Steri Poland is 100% step-down subsidiary of Steriscience Singapore. SSPL also entered joint venture with Brooks Laboratories Limited during October 2021 to form Brooks Steriscience Limited. At present, the Group owns four manufacturing sites with one in Poland (US FDA approved), one in Gujarat (US FDA approved) and two in Bengaluru, India (US FDA approved).

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

**Any other information: None**

### Rating history for past three years

Instrument	Type	Amount Rated (Rs. crore)	Current rating (FY2024)			Chronology of rating history for the past 3 years			
			Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Oct 05, 2023	May 31, 2023	May 03, 2023			
1	Term loans	70.00	70.00	[ICRA]BB; Rating watch with developing implications	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	-	-
2	Fund-based facilities	65.0	--	[ICRA]BB; Rating watch with developing implications	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	-	-
3	Non-fund based facilities	25.0	--	[ICRA]A4; Rating watch with developing implications	[ICRA]A4	[ICRA]A4	-	-	-

Source: Company

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term – Fund-based facilities	Simple
Short-term – Non fund-based facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2022	~7.5%	FY2029	70.00	[ICRA]BB; Rating watch with developing implications
NA	Fund based facilities	FY2022	NA	NA	65.00	[ICRA]BB; Rating watch with developing implications
NA	Non-Fund based facilities	FY2022	NA	NA	25.00	[ICRA]A4; Rating watch with developing implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis - NA**

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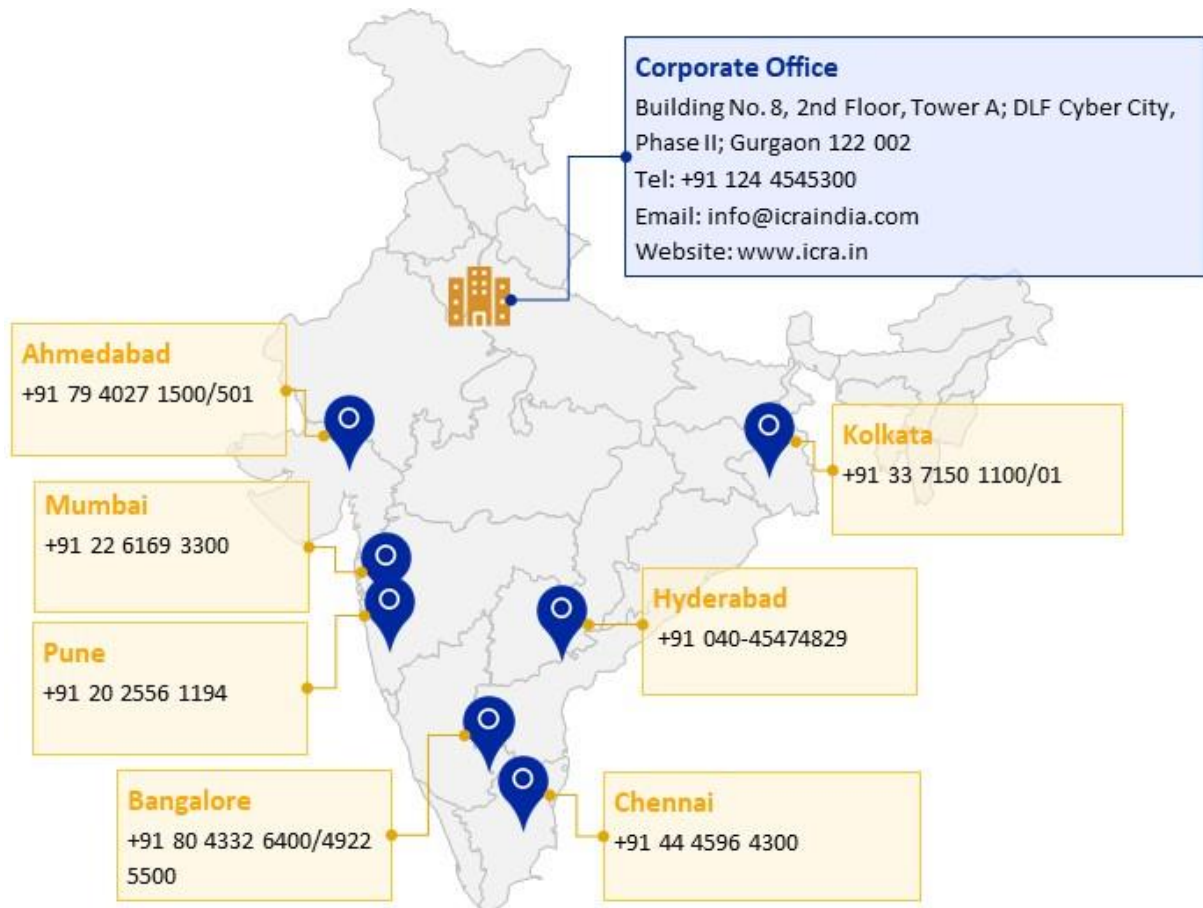
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