



Press Release

Styrax Pharma Private Limited

January 01, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	98.99	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	5.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Proposed Long Term/Short Term Bank Facilities	6.01	IVR BBB/Stable; IVR A3+ (IVR Triple B with Stable Outlook; IVR A3 Plus)	-	Assigned	Simple
Total	110.00	(Rupees One hundred ten crore only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating to the bank facilities of Styrax Pharma Private Limited (SPPL) keeping in view of experienced promoters and management team, reputed customer base and moderate capital structure with satisfactory coverage indicators. However, these rating strengths are partially offset by moderate scale of operations, product concentration risk and exposure to regulatory risk.

The outlook is stable in view of extensive experience of promoters and comfortable financial risk profile.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in Total Operating Income by more than 30% while maintaining EBITDA margins at 15% or above
- Operating cycle shortening to less than three months without stretching creditors days, on a consistent basis

Downward Factors



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- Significant decline in the total operating income or operating profits
- Any large debt funded capex impacting financial risk profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management team

SPPL was promoted by Mr. S Venkateswara Rao in the year 1995. Mr. S Venkateswara Rao, (Managing Director) has been in the pharmaceutical industry in various capacities for more than three decades. He started his career with a bulk drug manufacturing company in 1987. SPPL is managed by its Board consisting experienced members as directors. The senior management is supported by team having long experience in pharmaceutical industry.

Reputed customer base

During FY24 (refers to period from April 01, 2023, to March 31, 2024) the company derived major portion of its revenue from its top two customers i.e., Mylan Laboratories Limited and Emcure Pharma. This apart, the company has reputed customer base which includes Lupin, Solara Active Pharma Sciences Ltd. and Macleods Pharma.

Moderate capital structure with satisfactory coverage indicators

The capital structure of SPPL is moderate marked by overall gearing and TOL/ TNW of 0.97x and 1.97x respectively as on March 31, 2024. (Previous year it was 1.07x and 2.58x respectively). The coverage metrics is comfortable with ISCR and DSCR at 3.21x and 1.75x respectively as on March 31, 2024. (Previous year it was 2.41x and 1.02x respectively).

Key Rating Weaknesses



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Moderate scale of operation

The company has been incorporated in 1995 and commenced operations in 2016. The TOI increased to Rs. 296.01 crore in FY24 from Rs. 255.88 crore in FY23., driven by the successful launch of several APIs and anti-HIV products. However, the scale of operations remained moderate.

Product concentration risk

The company has diversified product portfolio of various active pharmaceutical ingredient and anti-HIV drugs. However, the company generated 42.90% of its revenue for FY24 from two products viz. Lamivodine and Tenofovir. These are used to treat human immunodeficiency virus (HIV) infection.

Exposure to regulatory risk

The pharmaceutical industry operates within a complex regulatory landscape, facing numerous hurdles in obtaining the necessary approvals, licenses, and registrations for its business operations. This regulatory scrutiny varies across countries, with authorities often imposing unique requirements that can lead to delays or even outright rejection of approvals, even for products already approved elsewhere.

The process of registering a new product is particularly challenging, characterized by its complexity, lengthy timelines, and significant costs. The approval timeline can vary significantly depending on the country, typically ranging from several months to several years. Any delays or failures in securing these approvals can severely impact a company's business prospects.

Given India's substantial contribution to the USA generic drug market, the US Food and Drug Administration (USFDA) has intensified its scrutiny of Indian pharmaceutical companies, particularly focusing on manufacturing facilities and adherence to regulatory compliances. Non-compliance with these regulations can result in severe consequences, including regulatory bans on products or entire facilities, which can significantly impact a company's ability to obtain future approvals from the USFDA.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on assigning rating outlook](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company has adequate cash accruals of Rs. 26.29 crore to pay its debt obligations of Rs. 9.18 crore during FY24. The average cash credit utilisation from all the banks are almost 60% for the period of December 2023 to November 2024. The company had cash and cash equivalents as on March 31, 2024, is Rs. 7.17 crore. Current and quick ratio of the company was 1.28x and 0.59x respectively as on March 31, 2024.

About the Company

In 2014, Mr. S.V. Rao acquired M/s. Vaya Jayanthi Drugs Pvt. Limited, including a vacant plot of 4.68 acres in JNPC Parawada, Visakhapatnam. The company was later renamed M/s. Styrax Pharma Pvt. Limited. (SPPL)

SPPL manufactures API and drug intermediaries majorly for the ARV therapeutic segment (antiretroviral (ARV) drug/ intermediaries are used to treat/prevent HIV infection). The manufacturing facility of SPPL is located at Jawaharlal Nehru Pharma city, Parwada in Visakhapatnam, Andhra Pradesh. The plant which commenced its operations in June 2016, consists of three production blocks. The company focuses on domestic market for drug intermediates as well as on non-regulated/regulated markets for API's. Further, the facility is fully compliant with the cGMP standards and United States Food & Drug Administration (USFDA) accredited.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	255.88	296.01
EBITDA	28.93	44.23
PAT	11.32	20.99
Total Debt	62.83	76.46
Tangible Net Worth	58.52	79.21
EBITDA Margin (%)	11.30	14.94
PAT Margin (%)	4.42	7.09
Overall Gearing Ratio (x)	1.07	0.97
Interest Coverage (x)	2.41	3.21

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Long Term Fund Based Bank Facilities	Long Term	98.99	IVR BBB/Stable	-	-	-
2.	Short Term Non-Fund Based Bank Facilities	Short Term	5.00	IVR A3+	-	-	-
3.	Proposed Long Term/Short Term Bank Facilities	Long Term/Short Term	6.01	IVR BBB/Stable; IVR A3+	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	July 2025	3.04	IVR BBB/Stable
GECL	-	-	-	April 2026	3.95	IVR BBB/Stable
Cash Credit	-	-	-	-	92.00	IVR BBB/Stable
Letter of Credit	-	-	-	-	5.00	IVR A3+
Proposed	-	-	-	-	6.01	IVR BBB/Stable; IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-styrax-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.