March 11, 2025

TCG Lifesciences Private Limited: Ratings downgraded to [ICRA]A- (Negative)/ [ICRA]A2+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Term loan	123.58	142.21	[ICRA]A- (Negative); downgraded from [ICRA]A (Negative)
Long term – Fund based facilities**	(10.00)	(10.00)	[ICRA]A- (Negative); downgraded from [ICRA]A (Negative)
Short term – Fund based facilities	140.00	140.00	[ICRA]A2+; downgraded from [ICRA]A1
Short term – Non-fund based facilities	12.00	12.00	[ICRA]A2+; downgraded from [ICRA]A1
Long term – Short term – Unallocated limits	25.05	6.42	[ICRA]A- (Negative)/[ICRA]A2+; downgraded from [ICRA]A (Negative)/ [ICRA]A1
Total	**300.63**	**300.63**	

**Instrument details are provided in Annexure I; **Sublimit of short term – FB facilities*

Rationale

ICRA has taken a consolidated view of TCG Lifesciences Private Limited (TCGL), and its subsidiary, Clininvent Research Private Limited (CRPL), while assigning the credit ratings, given the common management and strong operational and financial linkages between them.

The rating action considers the weaker-than-expected performance of the company in FY2025 owing to lower full-time equivalent (FTE) contracts from its US clients, which is a key market for TCGL, as well as lower execution in CRPL. Consequently, TCGL's standalone revenue is expected to decline to ~Rs. 330 crore in FY2025 from Rs. 366 crore in FY2024. The operating margin is also expected to moderate to ~11% from ~20% in FY2024.

After a subdued performance in FY2024, while the earnings were expected to improve in FY2025, lower research and development (R&D) spending by large drug companies in the US will result in a weak performance in FY2025. ICRA notes that CRPL is estimated to continue report operating losses because of lower execution. The performance of another step-down subsidiary of TCGL, TCG Greenchem, however, is expected to improve, with an estimated revenue of Rs. 160 crore and operating profits of Rs. 4-5 crore estimated in FY2025. Nonetheless, the lower-than-anticipated profits is likely to adversely impact the coverage metrics with OPBDITA/interest of 1.5 times expected in FY2025 compared to ~2.6 times in FY2024.

While the performance is likely to improve in FY2026 with better traction in new FTE contracts and expected higher execution in CRPL, the leverage and coverage indicators are seen to remain subdued and will be a key monitorable. The debt repayment continues to be high compared to the cash flow from operations, exposing the entity to refinancing risk. However, the financial flexibility from being a part of The Chatterjee Group (TCG Group) provides comfort. In addition, the ratings continue to consider the consolidated entity's established position in the field of early-stage drug discovery.

The ratings also factor in TCGL's long-term relationships with its customers across geographies and the stable business generated from such customers on a regular basis. TCGL's operational profile is strengthened by its presence in commercial scale manufacturing of new chemical entities (NCEs) through CRPL and process development services offered by TCG GreenChem. However, the manufacturing business at both CRPL and Greenchem is yet to generate steady cash flows. It is also exposed to the risk of foreign exchange rate fluctuations as contract research rates are denominated in foreign currencies, whereas the company's costs are largely denominated in the Indian currency. Any further exposure to subsidiaries could impact the consolidated financial profile of TCGL.

The Negative outlook is based on ICRA's expectation that the consolidated entity's leverage and coverage metrics are likely to remain subdued in the near term.

Key rating drivers and their description

Credit strengths

Healthy operational profile of consolidated entity – TCGL, together with its subsidiaries, has developed end-to-end capability in early-stage drug discovery services, encompassing chemical synthesis, biological testing, kilo scale as well as commercial scale manufacturing of NCEs. Along with the Indian operations, TCGL also established its presence in the US in FY2021 by setting up a subsidiary, TCG Greenchem, which is involved in process research and development facilities. Such capabilities provide the consolidated company with a healthy business profile.

Established relationship with a diversified customer base – The TCGL Group has developed a diversified customer base, which has been generating healthy revenues over the years. The customers are located across geographies, mitigating the concentration risk to an extent. Over the years, TCGL has been adding new customers and reducing the concentration risk.

Financial flexibility from being a part of the TCG Group – TCGL, and hence CRPL, have financial flexibility from being a part of the TCG Group. The TCG Group has diversified interests in investment banking, real estate, petrochemicals, life sciences and healthcare, hedge fund and wealth management products, outsourcing and technology services including BPO, and has a presence in the US, Europe and South Asia.

Credit challenges

Weaker-than-expected performance in FY2025 - After a subdued performance in FY2024, the earnings are expected to remain weak in FY2025 owing to lower full-time equivalent (FTE) contracts available from its US clients, which is a key market for TCGL, as well as lower execution in CRPL. Consequently, TCGL's standalone revenue is expected to decline to ~Rs. 330 crore in FY2025 from Rs. 366 crore in FY2024. The operating margin is also expected to moderate to ~11% from ~20% in FY2024. ICRA notes that CRPL is estimated to continue report operating losses because of lower execution. The performance of another step-down subsidiary of TCGL, TCG Greenchem, however, is expected to improve, with an estimated revenue of Rs. 160 crore and operating profits of Rs. 4-5 crore estimated in FY2025, compared to operating losses in FY2024. Nonetheless, lower-than-anticipated profits is likely to adversely impact the consolidated leverage and coverage metrics with total debt/OPBDITA of 5.8 times and OPBDITA/interest of ~1.5 times expected in FY2025 compared to ~4.0 times and ~2.6 times, respectively, in FY2024.

While the performance is likely to improve in FY2026 with better traction in new FTE contracts and expected higher execution in CRPL, the leverage and coverage indicators are seen to remain subdued and will be a key monitorable. The debt repayment continues to be high compared to the cash flow from operations, exposing the entity to refinancing risk.

Absence of take-or-pay clause in research contracts – TCGL's contract research agreements with its customers do not have a take-or-pay clause in them. This exposes the company to the risks associated with contract termination. However, the long-term relationships with the customers mitigate such risk, to an extent.

Competitive business environment and exposure to foreign exchange risks – The contract research business is competitive. Hence, the company's ability to scale up the business in such an environment is a key risk. Also, TCGL's revenue is denominated in foreign currency, with exports accounting for ~95% of the total revenues, whereas its costs are largely denominated in rupee. This exposes the company's revenues and profits to the risk of foreign currency movements.

Exposure to Group entities- TCGL has large financial exposure to its subsidiaries and Group entities, which exposes TCGL to lending risk associated with such companies. However, the healthy financial performance of those entities mitigates this risk to an extent. In addition, the entity has recovered the amount in the last few years for its cash flow requirements.

Liquidity position: Adequate

TCGL's liquidity is expected to remain adequate because of its steady standalone cash flow from operations, sufficient cash balance and unutilised working capital (WC) facilities during the current year. ICRA, however, notes that the utilisation of WC as a percentage of its drawing power continues to be high, while the sanctioned limits are higher. While the company has debt repayment obligations of Rs. 40-45 crore in the next 2-3 fiscals, ICRA expects TCGL to generate adequate cash flows vis-a-vis its debt repayment liabilities. Moreover, TCGL enjoys financial flexibility from being a part of the TCG Group.

Rating sensitivities

Positive factors – Given the Negative outlook, a rating upgrade is unlikely in the near term. The outlook can be revised to Stable if the consolidated entity registers a healthy growth in its revenue and operating profitability, strengthening the debt coverage indicators and liquidity position.

Negative factors – Pressure on the ratings could arise if there is a continued decline in revenue and operating profits, adversely impacting the leverage and coverage indicators as well as the liquidity position of the entity. Specific triggers for downgrade would be a total debt/OPBDITA above 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	While assigning the ratings, ICRA has taken a consolidated view of TCG Lifesciences Private Limited and Clininvent Research Private Limited. The ratings are based on the consolidated financial profiles of the company. List of entities considered for consolidation are enlisted in Annexure II

About the company

TCG Lifesciences Private Limited (TCGL), incorporated in 1998, provides contract research services, mainly for early-stage drug discovery and development. The company provides services for chemical synthesis of small molecules, first-level screening of drugs (in-vitro testing) and small animal testing.

Its wholly-owned subsidiary, Clininvent Research Private Limited (CRPL), manufactures cGMP active pharmaceutical ingredients (APIs, both NCEs as well as generic APIs) and GMP-ready regulatory starting materials. The manufacturing unit started operations in FY2018, following the takeover of an existing API manufacturing unit in Hyderabad, Telangana. Further, in FY2021, TCGL has set up a step-down subsidiary, TCG Greenchem, which is involved in contract development and manufacturing organisation (CDMO) services, supporting pharmaceutical research and development (R&D). Through strategic collaborations with a select group of technology and manufacturing companies in the US, Asia, and Europe, TCG GreenChem, Inc. offers cGMP manufacturing services in the US and India.

TCGL is promoted by The Chatterjee Group, which was founded by Dr. Purnendu Chatterjee in 1989. The Group has diversified interests in investment banking, life sciences and pharmaceuticals, real estate, petrochemicals, hedge fund and wealth management products. It also provides outsourcing and technology services, including BPO services, and is present in the US, Europe and South Asia. It is headquartered in New York.

Key financial indicators (audited)

TCGL Consolidated	FY2023	FY2024	9M FY2025*
Operating income	546.0	534.1	341.3
PAT	26.6	0.8	-48.0
OPBDIT/OI	19.5%	15.1%	-2.1%
PAT/OI	4.9%	0.2%	-14.1%
Total outside liabilities/Tangible net worth (times)	1.2	1.0	-
Total debt/OPBDIT (times)	3.3	4.0	-
Interest coverage (times)	3.6	2.6	-

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

TCGL Standalone	FY2022	FY2023	9M FY2025*
Operating income	410.4	366.2	239.3
PAT	66.4	29.3	3.7
OPBDIT/OI	28.6%	20.3%	11.4%
PAT/OI	16.2%	8.0%	1.6%
Total outside liabilities/Tangible net worth (times)	0.8	0.7	-
Total debt/OPBDIT (times)	2.1	2.8	-
Interest coverage (times)	5.1	3.3	2.5

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Mar 11, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Short term – Others - Fund based	Short term	140.00	[ICRA]A2+	05-APR-2024	[ICRA]A1	-	-	30-MAR-2023	[ICRA]A1	14-JUN-2021	[ICRA]A1
										17-FEB-2022	[ICRA]A1
Long term – Others - Interchangeable	Long term	(10.00)	[ICRA]A-(Negative)	05-APR-2024	[ICRA]A (Negative)	-	-	30-MAR-2023	[ICRA]A (Stable)	14-JUN-2021	[ICRA]A (Stable)

				-	-	-	-	-	-	17-FEB-2022	[ICRA]A (Stable)
Long term - Term loan - Fund based	Long term	142.21	[ICRA]A- (Negative)	05-APR-2024	[ICRA]A (Negative)	-	-	30-MAR-2023	[ICRA]A (Stable)	14-JUN-2021	[ICRA]A (Stable)
				-	-	-	-	-	-	17-FEB-2022	[ICRA]A (Stable)
Short term - Others – Non-fund based	Short term	12.00	[ICRA]A2+	05-APR-2024	[ICRA]A1	-	-	30-MAR-2023	[ICRA]A1	14-JUN-2021	[ICRA]A1
				-	-	-	-	-	-	17-FEB-2022	[ICRA]A1
Long term/Short term – Unallocated - Unallocated	Long term/Short term	6.42	[ICRA]A- (Negative)/ [ICRA]A2+	05-APR-2024	[ICRA]A (Negative)/ [ICRA]A1	-	-	30-MAR-2023	[ICRA]A (Stable) / [ICRA]A1	17-FEB-2022	[ICRA]A (Stable) / [ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Term loan	Simple
Long term – Fund-based facilities	Simple
Short term – Fund-based facilities	Simple
Short term – Non-fund based facilities	Very Simple
Long term – Short term – Unallocated limits	Not Applicable

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	Long term – Fund-based – Term loan	FY2024-FY2025	-	Upto FY2031	142.21	[ICRA]A- (Negative)
NA	Long term – Fund-based facilities**	-	-	-	(10.00)	[ICRA]A- (Negative)
NA	Short term – Fund-based facilities	-	-	-	140.00	[ICRA]A2+
NA	Short term – Non-fund based facilities	-	-	-	12.00	[ICRA]A2+
NA	Long term – Short term – Unallocated limits	-	-	-	6.42	[ICRA]A- (Negative)/ [ICRA]A2+

*Source: Company; **Sublimit of short term – FB facilities*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	TCGL ownership	Consolidation approach
Clininvent Research Private Limited	100.00%	Full Consolidation
X-tec International (Mauritius) Limited	100.00%	Full Consolidation
TCG Centre for Research and Technology (Formerly, Global Institute of Science and Technology)	20.00%	Equity Method

Source: TCGL annual report FY2024

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