January 07, 2026

Aurigene Pharmaceutical Services Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – term loan	380.00	380.00	[ICRA]AA+(CE)(Stable); reaffirmed
Total	**380.00**	**380.00**	

Rating Without Explicit Credit Enhancement	[ICRA]A-

**Instrument details are provided in Annexure-I*

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

For the [ICRA]AA+(CE)(Stable) rating

The rating for the term loan facility of Aurigene Pharmaceutical Services Limited (APSL) is based on the strength of the corporate guarantee furnished by its parent, Dr. Reddy's Laboratories Limited (DRL; rated [ICRA]AA+(Stable)). The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, DRL.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach, whereby the rating of the guarantor has been translated into the rating of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenure of the rated instrument and has a well-defined pre-default invocation and payment mechanism. Given these attributes, the guarantee provided by DRL is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]AA+(CE)** against the rating of [ICRA]A- without explicit credit enhancement. If the rating of the guarantor changes in future, the same would reflect in the rating of the aforesaid instrument as well.

Salient covenants of the rated facility

- If change of control occurs with respect to the borrower, it will be an event of default and repayment of the loan might be accelerated
- Financial covenants (applicable to DRL; consolidated) – Minimum debt service coverage ratio (DSCR) of greater than or equal to 1.2 times and Debt/EBIDTA of less than 4.5 times

Key rating drivers and their description

Credit strengths

Well diversified geographic mix and strong presence in key generic markets globally – DRL has an established presence in the generics business across North America and Europe as well as in the branded generics markets across India and other emerging markets, including Russia and the CIS[1] region. Its key markets include North America (accounted for 38% of DRL's revenues in H1 FY2026), India (18%), Europe (15%) and emerging markets (18%). While the North American generics (NAG) business declined by 12% to Rs. 6,653 crore in H1 FY2026 on account of the price erosion in some existing products, including lenalidomide, a healthy growth across other geographies including Europe (+140% YoY, driven by consolidation of the nicotine replacement therapy business acquired in Q3 FY2025), India (+12%) and emerging markets (+16%) led to an 10.6% growth in the consolidated revenues. Despite expectations of a near term impact on revenues from NAG following the loss of exclusivity of lenalidomide, growth is expected to remain healthy over the medium to long term as DRL continues to focus on limited competition drugs with a particular focus on injectables, peptides and biosimilars, including through in-licensing arrangements.

Integrated presence across value chain with backward integration into active pharmaceutical ingredients (APIs) – The PSAI[2] business of DRL generated 10% of its H1 FY2026 revenues. The API business services DRL's own generic business in addition to external partners. This backward integration presents a significant cost advantage to DRL and supports its overall margin profile.

Strong R&D capabilities supporting development of strong generic product pipeline in key markets – DRL has a robust R&D set-up focused on complex and differentiated formulations/injectables, first-to-file (FTF) products and biosimilar compounds. Its R&D spend stood at 8.4% in FY2025 and 7.2% in H1 FY2026. The strong R&D focus results in healthy product filings and a strong pipeline of complex products across its key markets. Aurigene Oncology Limited, a subsidiary of DRL, is involved in discovery and clinical development of novel and best-in-class therapies for oncological treatments.

Healthy financial profile, characterised by robust credit metrics and strong liquidity – Despite some increase in the working capital utilisation following the acquisition for nicotine replacement therapy (NRT) brands from Haleon in Q3 FY2025, DRL has maintained a healthy credit profile, marked by robust leverage and coverage indicators with an interest coverage of 24.5 times in H1 FY2026 and total debt/OPBDITA of 0.7 times and total outside liabilities/tangible net worth of 0.4 times as on September 30, 2025. Moreover, DRL is expected to maintain its healthy financial profile, underpinned by strong accrual generation, low leverage and strong liquidity position.

Credit challenges

Ongoing investigations, pending resolution of product litigations as well as exposure to regulatory risks – Like its peers, DRL's operations remain exposed to the risks of scrutiny by various regulatory agencies including the US FDA[3], US SEC[4] and US DoJ[5]. While DRL has no unresolved regulatory non-compliances from the US FDA, its ability to maintain a healthy launch momentum in the US and other key geographies remains dependent on successful closure of any future inspection by such regulatory agencies. Besides, DRL is yet to resolve the ongoing industry-wide investigation by the anti-trust division of the US DoJ on price fixing and price collusion allegations. Further, there are ongoing investigations on alleged violations of anti-corruption laws in the US and other product and patent related matters. Like many of its peers, the company has also been named as a defendant in antitrust suits regarding the settlement of patent litigations of Revlimid. The outcomes of these matters are unascertainable at the moment and would be monitored on a case-to-case basis.

[1] *Commonwealth of Independent States*

[2] *Pharmaceutical Services and Active Ingredients*

[3] *United States Food and Drug Administration*

[4] *United States Securities and Exchange Commission*

[5] *United States Department of Justice*

Base US pharmaceutical generics business remains competitive; regular product introductions expected to mitigate risk to an extent – The US generic market has remained competitive with continued pricing pressure across various product categories, impacting the performance of Indian pharmaceutical companies in this segment. DRL's NAG revenues have also declined by 12% in H1 FY2026 on account of the price erosion of some its key products like lenalidomide. Despite some near-term uncertainty, regular product launches (including FTF products) and increased focus on complex generics and biosimilars is expected to support the medium-to-long-term growth prospects of this segment. However, the company's ability to launch new products in the US market in a timely manner and ramp up its speciality/complex generics product portfolio shall remain a key for its growth in the segment.

Liquidity position

For the [ICRA]A- rating – Adequate

APSL's liquidity position is adequate, supported by cash, cash equivalents and liquid investments of Rs. 384.6 crore and undrawn working capital limits of around Rs. 50 crore as on September 30, 2025. The company has no external debt repayment obligations in FY2026. While it has a sizeable repayment of Rs. 380 crore in June 2026, ICRA expects APSL to partly refinance the liability. The company also enjoys strong parentage, being a step-down subsidiary of DRL.

For the [ICRA]AA+ (CE) rating – Strong

DRL's liquidity position remains strong, supported by a healthy generation of cash flow from operations. It had cash, cash equivalents and liquid investments of Rs. 4,912.2 crore as on September 30, 2025, in addition to a sizeable cushion in the form of undrawn lines of credit. The cash flow generation of the company is also likely to remain strong over the near-to-medium term, supported by revenue growth across major geographies. DRL is likely to incur an annual capex of Rs. 2,500 crore over FY2026 and FY2027 (excluding that towards any inorganic expansion), to be funded by internal accruals.

Rating sensitivities

Positive factors – The rating would remain sensitive to any change in the credit profile of the guarantor (DRL).

Negative factors – Pressure on APSL's rating could arise in case of weakening of the credit profile of DRL. Additionally, lack of adherence to the terms of payment structure, as defined in the Corporate Guarantee deed and addendum, can also lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	The rating for the term loan of Rs. 380.0 crore is based on the unconditional, irrevocable and continuing guarantee from DRL that covers all the repayment obligations of the term loan.
Consolidation/Standalone	Standalone

About the company

Incorporated on September 16, 2019, APSL is a subsidiary of Aurigene Oncology Limited (AOL) and a step-down subsidiary of . Effective June 1, 2020, the Contract Research, Development, and Manufacturing Organization (CDMO) division of DRL's Custom Pharmaceutical Services business as well as the Discovery Service division of AOL were transferred to APSL.

APSL was formed to service the needs of innovator customers in the areas of medicinal chemistry and biology, as well as contract development and manufacturing services for their clinical and commercial needs. DRL intends to position APSL as a global leader for end-to-end integrated solutions across discovery, development, and manufacturing. With the consolidation of the Discovery Services and the CDMO divisions, APSL offers end-to-end services to its customers, ranging from discovery and development to scaling up supplies and contract manufacturing. This also enables a flow of projects from drug discovery into development and leads to synergies between the customer base of the CDMO division and discovery services, enabling the organisation to become a one-stop shop for turnkey solutions to its customers.

APSL enjoys established relationships with reputed global innovator pharmaceutical companies, which provide it with continued revenue visibility. It continues to maintain a healthy order book, supported by recurring contracts executed for its key customers. It has three facilities with capabilities across discovery, R&D and small scale GMP[6] manufacturing of small and large molecules. For the CDMO business, the company has access to the manufacturing facilities of DRL.

APSL's scale of operations is moderate with revenues of Rs. 569.9 crore in FY2025 and Rs. 345.9 crore in H1 FY2026. However, revenues are growing in high double-digits with a YoY growth of 28.7% in FY2025 and 28.6% in H1 FY2026, supported by a healthy demand across both segments. As many innovator and biotech companies are based in regulated markets, especially in the US, these markets continue to contribute significantly to APSL's revenues. In FY2025, the US generated 65% of APSL's revenues, which is in line with the trend in the industry.

APSL's net worth and liquidity improved significantly in FY2025 on account of equity infusion of Rs. 650.0 crore from its parent, AOL. The funds were used to repay inter-company loans of Rs. 220.0 crore and the remaining towards capex, including renovation at APSL's facility in Miyapur, Hyderabad, and construction of the facility in Genome Valley, Hyderabad, in addition to some improvements at the facility in Bengaluru. The outstanding term loan of Rs. 380.0 crore is repayable in a single tranche in FY2027. ICRA expects the repayment to be refinanced. The company also faces increasing competition as global companies expand into discovery services and CDMO. Considering a significant portion of its business is driven by overseas markets, APSL also remains vulnerable to forex fluctuations.

Key financial indicators (audited)

APSL – Standalone	FY2024	FY2025	H1 FY2026*
Operating income	442.7	569.9	345.9
PAT	(3.2)	64.9	53.9
OPBDITA/OI	18.7%	19.4%	25.8%
PAT/OI	(0.7%)	11.4%	15.6%
Total outside liabilities/Tangible net worth (times)	(2.6)	2.0	1.9
Total debt/OPBDITA (times)	8.8	4.6	2.8
Interest coverage (times)	1.5	2.4	4.5

*PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; * Provisional Numbers; Amount in Rs crore; all ratios as per ICRA calculations*

About the guarantor

DRL was incorporated by its promoter and founder chairman, the Late Dr. K. Anji Reddy, as a private limited company on February 24, 1984. The company was subsequently converted to a public limited one on December 6, 1985, and listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in August 1986 as well as on the New York Stock Exchange (NYSE) on April 11, 2001.

DRL offers a portfolio of pharmaceutical products and services, including generics, APIs, custom pharmaceutical services, biosimilars and differentiated formulations. It has three divisions—global generics (accounted for 89% of its revenues in FY2025), pharmaceutical services and active ingredients (PSAI; 10%) and others (1%). The major therapeutic areas of focus for

[6] *Good Manufacturing Practices*

the company include the central nervous system, gastro-intestinal, oncology, cardiovascular and pain management with the US, India, West Europe, Russia and the CIS region being the major markets. Currently, DRL has nine API manufacturing facilities, of which six are in India and one each in Mexico, the US and the UK. It also has 13 formulations manufacturing facilities in India and one in China. In addition, the company has nine technology development and R&D centres across the globe.

Key financial indicators (audited)

DRL – Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	28,011.1	32,643.9	17,400.4
PAT	5,563.2	5,703.5	2,740.2
OPBDIT/OI	28.3%	26.7%	24.4%
PAT/OI	19.9%	17.5%	15.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	0.4
Total debt/OPBDIT (times)	0.3	0.5	0.7
Interest coverage (times)	46.4	30.8	24.5

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs crore)**	**Jan 07, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term loans	Long Term	380.00	**[ICRA]AA+(CE) (Stable)**	Dec 27, 2024	[ICRA]AA+(CE) (Stable)	Oct 09, 2023	[ICRA]AA+ (CE) (Stable)	-	-
Non-convertible debentures	Long Term	-	**-**	-	-	July 20, 2023	[ICRA]AA+ (CE) (Stable) Withdrawn	July 28, 2022	[ICRA]AA+ (CE) (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – term loan	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**	June 2023	Quarterly T-Bill rate + Spread	June 2026	380.00	[ICRA]AA+(CE) (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis – Not applicable

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