February 26, 2026

Sai Life Sciences Limited: [ICRA]AA(Stable)/[ICRA]A1+ assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term - fund-based facilities	550.00	[ICRA]AA(Stable); assigned
Short-term - non-fund based facilities	218.60	[ICRA]A1+; assigned
Total	**768.60**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings assigned to Sai Life Sciences Limited (SLS) factor in its strong business profile with an integrated presence that enables it in providing end-to-end services across the drug discovery, development, and manufacturing value chain, for small molecule new chemical (NCEs) entities to global innovators and biotech companies. The company has established long relationships with more than 300 innovator clients, including 18 of the leading 25 big pharma companies. The ratings also factor in SLS' strong financial profile, aided by its robust revenue growth, healthy profitability and low reliance on external debt. SLS' revenues increased at a CAGR of 25% between FY2022 and FY2025 and by 43% in 9M FY2026 to Rs. 1,590.4 crore and profitability also improved over the last two years with an operating profit margin (OPM) of 24.2% in FY2025 and 28.6% in 9M FY2026. After its successful completion of the initial public offer (IPO) in December 2024, in line with the objects of the offer, SLS repaid its long-term debt from the IPO proceeds thus reducing the total debt (including lease liabilities) to Rs. 352.4 crore as on March 31, 2025 from Rs. 927.7 crore as on March 31, 2024. As on September 30, 2025, SLS had a total debt of Rs. 417.6 crore, including lease liability of Rs. 202.1 crore and working capital borrowings of Rs. 215.5 crore. This translates into healthy capitalisation and coverage indicators with total debt/OPBDITA of 0.8 times as on September 30, 2025, and interest coverage of 12.3 times.

SLS' revenues are concentrated in the regulated markets considering the nature of the business, with exports contributing up to 99% to the total revenues, primarily driven by companies in the US and Europe. This exposes the company to revenue risks arising from region-specific challenges. Moreover, several global and domestic players are expanding their presence in contract research, leading to an increase in competition and pricing pressure for industry players. However, SLS' healthy scale of operations, robust infrastructure, employee skillset, focus on compliance and safety, established client relationships and a relatively higher industry growth rate are likely to mitigate the competitive threats to an extent. The company is also exposed to adverse forex movements considering its significant export revenues and regulatory risks associated with the development and manufacturing of pharmaceutical products, especially for the regulated markets.

A Stable outlook on the long-term rating indicates ICRA's expectation that SLS is likely to sustain its credit profile aided by healthy growth in revenue and earnings, while maintaining a comfortable capital structure and liquidity profile.

Key rating drivers and their description

Credit strengths

Strong business profile with integrated presence across discovery, development, and manufacturing services – SLS is a pure-play fully integrated, innovator focused contract research, development and manufacturing organisation (CRDMO) providing end-to-end services across the discovery, development and manufacturing value chain for small molecule NCEs. The discovery services generate 35-40% of the company's revenues, while the remaining is generated by contract development and manufacturing (CDMO). The discovery business has increased at a CAGR of 32% between FY2022 and FY2025 to Rs. 626.4 crore, aided by the company's technical competency through its units at Hyderabad and Greater Boston. The CDMO business' CAGR was 20.2% during the same period, aided by increased business from existing customers and new collaborations. A healthy growth across both the segments has led to a strong overall growth of the company.

Established relationships with reputable innovator pharmaceutical companies – Biotech start-ups remain a key customer for the CRDMO industry owing to their significant presence in drug discovery programmes. However, a strong dependence on biotech start-ups exposes a CRDMO to risks on non-payment of dues or lower inflow of business, in case of unsuccessful results or an unfavourable funding environment impacting the availability of funding for the biotech. SLS can partly mitigate the risk with its strong relationships across more than 300 innovator clients, including 18 of the top 25 big pharma companies. Around 91% of SLS' revenues from the CDMO segment were generated by pharma companies. In the discovery segment, the contribution was relatively lower at 38%, albeit with an increasing trend and growing from 33% in FY2024.

Strong financial profile – SLS has a strong financial profile, aided by a sustained and healthy growth in its revenues and profitability leading to robust cash flow generation. Its revenues increased at a CAGR of 25% between FY2022 and FY2025 and by 43% in 9MFY2026 to Rs.1,590.4 crore supported by growth across both the discovery and CDMO segments. Moreover, SLS is expected to maintain a strong growth momentum over the near to medium term on the back of a healthy growth outlook for the industry, good product mix and deepening customer engagement. As on September 30, 2025, SLS had a total debt of Rs. 417.6 crore including lease liability of Rs. 202.1 crore and working capital borrowings of Rs. 215.5 crore and a net debt of Rs. 111.3 crore leading to comfortable gross leverage of 0.8 times and net leverage of 0.2 times with an interest cover of 12.3 times. Given the nature of the business, capex outflows are likely to be lumpy, with returns accruing over subsequent years. As a portion of the planned capex may be funded through debt, leverage could remain temporarily elevated during the investment phases before normalising thereafter. In this context, an assessment of credit metrics over an appropriate time horizon would be relevant to factor in the inherent lumpiness of capex. Nevertheless, SLS is expected to maintain a comfortable financial profile, supported by healthy internal cash generation and an adequate liquidity position.

Credit challenges

Geographic concentration risks and funding slowdown in the US biotech – SLS derived around 99% of its FY2025 revenues from exports, primarily to the regulated markets like the US and Europe. This exposes the company to risks associated with region- specific challenges amid an uncertain geopolitical landscape. However, this is in line with the concertation within the industry as most of the global innovator and biotech companies are based in the US and Europe. The industry is also impacted by the slowdown in the US biotech funding with the weakness continuing in FY2026, as the overall US biotech funding contracted by 53% in 7M CY2025. However, SLS has been able to navigate through the challenges aided by its strong relationships with big pharma companies.

Vulnerable to regulatory risks – As the revenues of the company are largely driven by innovator companies in the regulated markets, SLS is subject to strict regulatory scrutiny required for drug discovery, approvals and commercial launches. While the company has maintained a healthy track record with no material adverse actions taken by regulatory agencies like the United States Food and Drugs Administration (USFDA) in the past, its operations remain exposed to the outcomes of future inspections amid increasing regulatory scrutiny.

Growing competitive intensity in the industry – While the industry is poised for a healthy growth over the next few years, several global and domestic players are expanding their presence. This is likely to increase competition and pricing pressure for industry players, going forward. However, SLS' healthy scale of operations, robust infrastructure, employee skillset, focus on compliance and safety, and established client relationships are likely to mitigate competitive threats to an extent.

Environment and social risks

Environmental considerations – The company does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations regarding the breach of waste and pollution norms, which may lead to an increase in operating costs and new capacity instalment costs. This may also require capital investments to upgrade its effluent treatment infrastructure to reduce carbon footprint and waste generation.

Social considerations – The company faces high industry-wide social risks related to product safety and the associated litigation risks, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards.

Liquidity position: Adequate

SLS is expected to maintain an Adequate liquidity position, aided by healthy cash flow from operations, cash, cash equivalents and liquid investments of Rs. 306.2 crore and unutilised working capital limits of more than Rs. 360 crore as on September 30, 2025. The company has no term debt repayment obligations and is expected to incur a capex of around Rs. 700 crore over FY2026, to be primarily funded through existing liquidity and internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade Sai Life's ratings if the company reports healthy growth in its scale of operations and earnings, while maintaining strong debt metrics and liquidity position on a sustained basis.

Negative factors – The ratings can be downgraded in case of any sustained material deterioration in the company's revenues and profit margins leading to sustained deterioration in its credit metrics or liquidity position. An increase in total debt/ OPBDITA to more than 1.5 times on a sustained basis alongside a material depletion in the company's cash balances can also lead to a downgrade of ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SLS

About the company

SLS is a CRDMO providing end-to-end services across drug discovery, development, and manufacturing value chain, for small molecule NCEs to global pharmaceutical innovator companies and biotechnology firms. In FY2025, SLS generated an overall revenue of Rs. 1,695.0 crore through contract research (contributing 37%) and CDMO (63%) services.

The company started with medicinal chemistry services in 1999 and later in 2002 expanded its service offerings to include process research development services. In 2005, the company entered contract manufacturing services with the acquisition of Prasad Drugs Limited. This was supported by the acquisition of Merrifield Pharma in 2006 for expansion in manufacturing capabilities with its USFDA-approved unit in Bidar, Karnataka. As on March 31, 2025, the company had 30 commercial APIs and six molecules forming part of filed/phase III APIs.

Key financial indicators (audited)

Sai Life Sciences Limited (Consolidated)	FY2024	FY2025	9M FY2026
Operating income	1,468.9	1,694.6	1,590.4
PAT	82.8	170.1	244.7
OPBDITA/OI	19.5%	24.2%	28.6%
PAT/OI	5.6%	10.0%	15.4%
Total outside liabilities/tangible net worth (times)	1.3	0.5	-
Total debt/OPBDITA (times)	3.2	0.9	-
Interest coverage (times)	3.3	5.2	14.5

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore.
PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current rating(FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	February 26, 2026	Date	Rating	Date	Rating	Date	Rating
Non-fund based facilities	Short-term	218.60	[ICRA]A1+	-	-	-	-	-	-
Fund-based facilities	Long-term	550.00	[ICRA]AA(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based facilities	Simple
Short-term - Non-fund based facilities	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 / sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term fund-based facilities	NA	NA	NA	550.00	[ICRA]AA(Stable)
NA	Short-term non-fund based facilities	NA	NA	NA	218.60	[ICRA]A1+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Sai Life Sciences Limited	Ownership	Consolidation approach
Sai Life Pharma Private Limited	100%	Full consolidation
Sai Life Sciences Inc.	100%	Full consolidation
Sai Life Sciences GMBH	100%	Full consolidation

Source: Company

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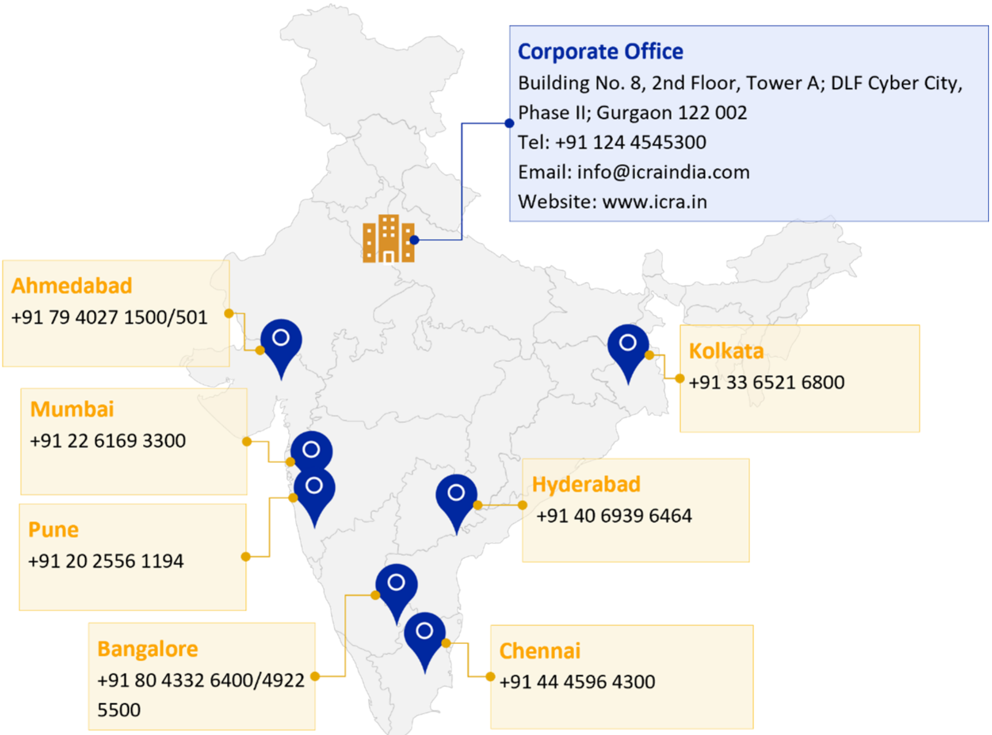

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