SPARC/Sec/SE/2024-25/068 March 05, 2025

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051.

Scrip Symbol: SPARC

BSE Limited,
Market Operations Dept.
P. J. Towers,
Dalal Street,
Mumbai - 400 001.

Scrip Code: 532872

Dear Sir/Madam,

Sub: Intimation regarding revision of Credit Rating under Regulation 30 of SEBI Listing Regulations

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), we wish to inform you that the company has received a revised credit rating from ACUITE as mentioned below:

Credit Rating Agency	Product	Quantum (Rs. Crores)	Revised Long Term Rating	Short Term Rating	Rating Action
ACUITE	Bank Loan Rating	200.00	ACUITE AA- | Stable | Downgraded	-	Downgraded from ACUITE AA |Stable
	Total Outstanding Quantum (Rs. Cr)	200.00	-	-	-

Copy of press release issued by the rating agency is appended herewith and the same is also available on the website of the Company on the weblink - https://sparc.life/statutory-disclosures/

This is for your information and dissemination purpose.

Yours faithfully,

For **Sun Pharma Advanced Research Company Ltd.**

KAJAL DAMANIA
Digitally signed by KAJAL DAMANIA
DN: cn=KAJAL DAMANIA, o=SPIL.COM, ou=SPIL, email=kajal.damania@sparcmail.com, c=IN
Date: 2025.03.05 18:42:48 +05'30'

Kajal Damania
Company Secretary and Compliance Officer

Press Release
SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED
March 05, 2025
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE AA- | Stable | Downgraded	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale
Acuité has downgraded its long-term rating to **'ACUITE AA-' (read as ACUITE double A minus)** from **'ACUITE AA' (read as ACUITE double A)**on the Rs. 200.00 Cr. bank facilities of Sun Pharma Advanced Research Company Limited (SPARC). The outlook is **'Stable'.**

Rationale for the rating downgrade
The rating downgrade reflects deterioration in the operating performance of SPARC by way of decline in license fees, royalty income and setback failure of Proseek study. However, the rating draws strength from SPARC's experienced management, comfortable R&D pipeline and parent support from Shanghvi Finance Private Limited (SFPL) in the form of corporate guarantee and financial support. SPARC is a part of the Sun Pharma Group (SPG) headed by Mr. Dilip Shanghvi. Mr. Shanghvi also holds directorship position in SPARC. The rating also draws comfort from business synergies SPARC has with Sun Pharmaceutical Industries Limited (SPIL) – flagship of SPG. The above-mentioned strengths are also partly offset by long gestation periods and capital-intensive nature of drug research and development process, Continued support from promoters, timely commercialization of key products under development and further deterioration in the operating performance or regulatory setback would remain key rating sensitivity factors for SPARC.

About the Company
SPARC with its corporate office in Mumbai is a clinical stage bio-pharmaceutical company and is part of the Sun Pharma Group. It was incorporated in 2006 when the innovative product group was carved out of Sun Pharmaceutical Industries Limited (SPIL). It is primarily engaged in pharmaceutical research and development activity and earn its revenue from license fee / royalty on technology / R&D services. It undertakes research in the field of Oncology, Neuro Degeneration, Ophthalmology and Dermatology. It has its office in Mumbai (India) and New Jersey (USA) along with R&D centers at Mumbai and Vadodara (India). Mr. Dilip Shanghvi is the Chairman of the entity and Mr. Anil Raghavan is the CEO. The promoters of the company hold 65.67 percent in SPARC which includes Shanghvi Finance Private Limited (SFPL) with 42.28 percent, Mr. Dilip Shantilal Shanghvi with 19.05 percent and the rest are from other family members as on 31st December 2024. SFPL is also the holding company for SG's flagship company Sun Pharmaceutical Industries Limited (SPIL) and SFPL currently holds ~40 percent in SPIL as on 31st December 2024.

About Shanghvi Finance Private Limited
Shanghvi Finance Private Limited (SFPL) is an investing company of the promoter family. It has been listed as promoter entity as per the disclosures on the stock exchange. SFPL currently holds 40.30 per cent of the total shareholding of Sun Pharma Industries Limited (SPIL) as on 31st December, 2024 and also holds 42.28 per cent in SPARC as on 31st December 2024. The rated bank facilities of SPARC have been secured by corporate guarantee of SFPL.

About the Group

The company has one Wholly Owned Subsidiary namely SPARCLIFE Inc. incorporated at Delaware, USA on September 25, 2023. It is also primarily engaged in facilitating pharmaceutical research and development activity.

Unsupported Rating
ACUITE BB/Stable (Downgraded from Acuite BB+/Stable)

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
Acuité has considered consolidated financial and business risk profile of SPARC to arrive at the rating. The entities consolidated include SPARC along with its wholly owned subsidiary Sparclife Inc. Acuité has also factored in the benefits accrued to SPARC for being a part of Sun Pharma group and financial support SPARC received from Shanghvi Finance Private Limited (SFPL) on account of the Corporate Guarantee and line of credit extended by the later.

Key Rating Drivers

Strengths
Extensive experience and established track record in Pharma R&D
SPARC operates in a segment which is highly technical, and which requires high technical competency. SPARC's senior management has extensive experience in the relevant field, and it is also supported by experienced scientific advisory board. Currently Mr. Dilip Shanghvi is the Chairman. He is supported by a highly qualified and experienced senior management team. Mr. Anil Raghavan is the CEO and has an experience of over two decades in the pharmaceutical industry. The rest of the senior management team also have extensive experience in the pharmaceutical industry working in past for companies such as Merck, Sanofi-Aventis, Glaxo Smith Kline and Dr. Reddy's amongst others. The team is also supported by a scientific advisory board consisting of experienced professors from leading medical education institutions across the globe.
Acuité believes that SPARC will derive benefits from its established track record and experienced management in the pharmaceutical industry.

Comfortable R&D pipeline and synergies with SPIL
SPARC is engaged in research & development activity and generate their revenue primarily from license fee, royalty on technology and R&D services. It has undertaken research in the field of Oncology, Immunology, Neuro Degeneration, Ophthalmology and Dermatology. It currently has a comfortable R&D pipeline with 7 products at various stages of development, these target Alopesia Areata, Psoriasis, Atopic Dermatitis , glaucoma, different kinds of cancer. Besides these it has more than 10+ assets under development. SPARC currently looks at developing NCE (New Chemical Entities) and New Biological Entities (NBEs). The company has completely transitioned into NCE and NBEs from NDDS (New Drug Delivery Systems) and started commercializing them at various location such as US, India and RoW as NCEs have higher revenue potential. As the product progresses towards the end of its development process SPARC licenses the same with various pharmaceutical companies. It regularly partners with SPIL - its group company which has a robust presence in the overseas market along with other pharmaceutical companies.
Also, SPARC and UCSF (University of California San Francisco) have signed binding Letter of Intent(LoI) with Tiller Therapeutics Inc.(Tiller) granting exclusive worldwide license to Tiller for preclinical oncology asset along with associated IP. Upon grant of license, SPARC will receive 55% equity stake in the fully diluted securities of Tiller.

SPIL is one of the leading listed pharmaceutical companies in India with consolidated revenues of was Rs.48,496.85 Cr. on which it posted a net profit of Rs. 9,610.03 Cr. in FY24 as against Rs 43,885.68 Cr. and Rs 8,512.94 Cr. for FY23 respectively. The company has a presence in about 100 countries SPIL is the largest Pharmaceutical Company in India and 13th Largest Generic Pharmaceutical Company in US as on March -24. Its investor base includes leading domestic and foreign institutional investors. The Promoter Group hold ~54.48 per cent 31st December 2024. Out of the promoter holding, Shanghvi Finance Private Limited holds ~40.30 per cent and balance ~14.18 percent is held by promoter group in individual capacity and through other entities. It has presence in specialty medications for ophthalmology, dermatology and oncology, in generic medications for psychiatry, anti-infective, neurology, cardiology, orthopaedic, diabetology, gastroenterology, ophthalmology, nephrology, urology, dermatology, gynaecology, respiratory, oncology.

Weaknesses
Deterioration in the operating performance of SPARC
SPARC reported deterioration in operating performance and increase in losses where revenue and operating loss stood at Rs.75.55 Cr. and Rs.387.22 Cr. in FY24 as against Rs. 238.78 Cr. and Rs.222.58 Cr. in FY23 respectively. Deterioration in operating performance and increase in losses further continued during 9MFY2025

where revenue stood at Rs 44.58 Cr. and losses at Rs 282.74 Cr. as against Rs 58.99 Cr. and Rs 281.42 Cr. in 9MFY2024. The deterioration in operating performance is on account of decline in license fees, royalty income and setback failure of Proseek study for Parkinson disease.

Long gestation period for return on investments, high capital investment requirement and susceptibility regulatory environment

SPARC is a clinical stage bio-pharmaceutical company which undertakes pre-clinical and clinical stage research and development. Drug development process involves long gestation periods with constant investments. Heavy costs must be incurred to carry out research, conduct clinical trials and compensate a highly qualified work force every year. However, the major payouts come when a product is near commercialization and a licensing agreement is signed. There is an inherent mismatch of cash flows in the R&D segment. SPARC has some regular revenues which it earns as royalty and fees for carrying out research activities.

The long gestation periods and highly capital-intensive operations necessitates periodic capital infusion. The company also faces significant regulatory risks. Since it is engaged in new drug development it must adhere to a stringent compliance and regulatory environment. Costs incurred on products under development for a long time may get impacted by any adverse regulatory action. However, this is mitigated to some extent on account of the strong support and resource mobilization ability of the promoters.

Acuité believes, augmentation of timely resources, completion of product development without significant time overruns or regulatory setbacks will remain a key monitorable.

Moderate average financial risk profile

The financial risk profile of the company is marked by below average net worth, low gearing and average debt protection metrics. The tangible net worth stood at Rs. 125.57 Cr. as on March 31, 2024 as against Rs. 512.43 Cr. as on March 31, 2023 on account of losses incurred during the year. With losses reported in 9MFY2025, tangible net worth of the company is expected to deteriorate further. SPARC may issue equity at an opportune time to shore up its capital base and to fund its R&D activities.

The total debt of the company increased to Rs 61.15 Cr. as on March 31, 2024 as against Rs. 15.68 Cr. as on March 31, 2023 on account of utilisation of short term borrowings. Based on that gearing (debt to equity) increased which stood at 0.49 times as on March 31, 2024 as against 0.03 times as on March 31, 2023.

Acuité expects the financial risk profile to moderate over the medium term on account of increase in losses.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

Assessment of Adequacy of Credit Enhancement

Corporate guarantee for Bank Loan facilities:

Shanghvi Finance Private Limited has extended a corporate guarantee for the bank loan facilities availed by SPARC. The extended corporate guarantee stands at ~0.20 per cent of net worth of Shanghvi Finance Private Limited as on 31*st* March 2024, this along with being part of Sun Pharma group helps strengthening the credit profile of the SPARC

Stress case Scenario

Acuite believes that, given the adequacy of the strategic and financial support by Sun Pharma group as well as by parent Shanghavi Finance in the form of Corporate guarantee, SPARC will be able to service its debt on time, even in a stress scenario.

ESG Factors Relevant for Rating

The inherent material risk to the pharmaceutical industry includes releasing toxic greenhouse gases into the atmosphere. Furthermore, air impurities and polluting water bodies by releasing hazardous substances are other key issues. Additionally, efficient water utilization and material sourcing with a green supply chain are few significant problems.

Employee health & safety management are of primary importance to this industry given the nature of operations. Regulations involving product quality, safety testing, monitoring and manufacturing quality, customer welfare and proper product labelling and marketing compliance are material issues. Furthermore, community relations & inclusive development play a significant role.

Factors such as ethical business practices, management compensation and board administration hold primary importance within this industry. Likewise, legal and regulatory compliance, corruption and bribery associated with acquiring approvals, permits and licences are material risks. Additionally, shareholder's rights and audit control are other material issues to the industry.

Rating Sensitivities

- Credit quality of SPIL and SFPL
- Changes in support extended by promoter group
- Any unexpected increase in debt levels in the company
- Completion of product development without significant time overruns or regulatory setbacks

Liquidity Position

Strong

SPARC's operations have of long gestation periods. The company must make significant investments in R&D before returns can be generated from the products. The company has sanctioned bank limits towards funding these requirements to the tune of Rs.175 Cr. The average utilisation of bank facilities in the month of Dec-24 stood at 36 per cent. Also, it has line of credit facilities from its parent company i.e. SFPL to the tune of Rs.250 Cr. as on 31st December 2024. However, these facilities remained utilised ~ Rs 100.00 Cr. as on date. Furthermore, SPARC's liquidity is supported by strong financial flexibility of the promoters and promoter group. The company is listed on the stock exchanges and has demonstrated ability to raise funds directly from the capital markets. SPARC's liquidity is expected to remain strong on the back of its ability to access capital markets and strong financial flexibility of the promoters and promoter Group.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	75.55	238.78
PAT	Rs. Cr.	(387.22)	(222.58)
PAT Margin	(%)	(512.56)	(93.22)
Total Debt/Tangible Net Worth	Times	0.49	0.03
PBDIT/Interest	Times	(219.89)	(26.61)

Status of non-cooperation with previous CRA (if applicable)
Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)
Not applicable

Any Other Information
None

Applicable Criteria
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Group And Parent Support: https://www.acuite.in/view-rating-criteria-47.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm

Note on complexity levels of the rated instrument
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Dec 2023	Working Capital Demand Loan (WCDL)	Long Term	150.00	ACUITE AA | Stable (Reaffirmed)
	Secured Overdraft	Long Term	25.00	ACUITE AA | Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE AA | Stable (Reaffirmed)
07 Sep 2022	Working Capital Demand Loan (WCDL)	Long Term	150.00	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE AA- | Stable | Downgraded (from ACUITE AA)
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE AA- | Stable | Downgraded (from ACUITE AA)
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	150.00	Simple	ACUITE AA- | Stable | Downgraded (from ACUITE AA)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr No	Name of the entity
1	Sun Pharma Advance Research Company Limited
2	Shanghvi Finance Private Limited
3	SPARCLIFE INC

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.