Pharmaceuticals & Biotechnology

Working Capital Management & Financing Guide

Expert Financial Solutions for the Pharma Industry

PHARMA & BIOTECH – OVERVIEW

₹4.1 Lakh Cr	10–12%	3rd	50%	USFDA
MARKET SIZE (2024)	CAGR GROWTH	GLOBAL VOLUME	EXPORT SHARE	LARGEST PLANTS LIST

- **Global Hub:** India supplies over 20% of global generics and 60% of vaccines.
- **Core Segments:** Generic Drugs, APIs, Biosimilars, and CRAMS.
- **Major Hubs:** Hyderabad, Ahmedabad, Baddi (HP), and Vizag.
- **Growth Drivers:** Rising healthcare spend and the Ayushman Bharat scheme.
- **R&D Focus:** Investment in complex generics to move up the value chain.
- **Push for Self-Reliance:** API self-sufficiency through the PLI scheme.

OPERATIONAL MANUFACTURING PROCESS

R&D & Sourcing
Formulation dev & API procurement.
90–365 Days

Manufacturing
Granulation, compression & batch testing.
15–45 Days

Packaging & QA
Serialization, stability & QC release.
10–20 Days

Distribution
CFA supply & global realization.
60–150 Days

Operational Insight:

The manufacturing process involves highly stringent cleanroom controls and multiple stability testing phases that significantly impact inventory duration.

KEY RESOURCES & STRATEGIC INPUTS

Raw Materials

Active Pharmaceutical Ingredients (APIs), Excipients, and specialized packaging.

Physical Capital

Cleanrooms (Class 10k/100k), HPLC/GC testing equipment, and automated lines.

Human Capital

Formulation Scientists, Regulatory Affairs experts, and QA auditors.

Compliance

USFDA, EU-GMP, and WHO-GMP certifications and stability data.

Intellectual Property

Drug Master Files (DMF), ANDA applications, and process patents.

Biotechnology

Vaccines, blood products, and recombinant proteins specialization.

SERVICE DELIVERABLES & REVENUE

TERKAR CAPITAL

Core Products

- **Branded Generics:** Dosage sold via retail channels and doctors.
- **Institutional Supply:** Bulk supplies to Govt hospitals and ESIC.
- **API Sales:** Selling active ingredients to other firms (B2B).

Specialized Services

- **CRAMS:** Providing research and manufacturing services to Global Pharma.
- **Biotechnology:** High-value vaccines and recombinant proteins.

WORKING CAPITAL CYCLE ANALYSIS

210

Maximum Days Liquidity Gap
Facing a 120 to 210-day gap due to high R&D spend and long receivable cycles.

Inventory

90–120 Days
API safety stock requirements.

Receivables

90–150 Days
Hospital & Govt tender windows.

Payables

30–60 Days
Prompt international settlement.

CURRENT ASSET COMPOSITION

- **Trade Receivables (Dominant):** Unpaid invoices from distributors and institutional clients.
- **Raw Material & API Stock:** Critical imported materials for continuous production.
- **Work-in-Progress (WIP):** Significant volume undergoing stability tests.
- **Regulatory Deposits:** Blocked cash for global patent filings.

COMMON FINANCIAL MISTAKES

TERKAR CAPITAL

Short-Expiry Stock

Overstocking items leading to heavy losses due to expired returns.

R&D Miscalc

Underestimating the long cash-burn phase before a new product launch.

Compliance Slips

USFDA observations that can halt exports and freeze cash flow.

Critical Risk: Weak Credit Management

Granting excessive credit to unorganized stockists without adequate security is a major cause of bad debts.

STANDARD WORKING CAPITAL CYCLES

Component	Industry Standard	Impact Level
Inventory (API + Finished)	90 - 120 Days	**High Intensity**
Domestic Retail Receivables	45 - 60 Days	Moderate
Institutional/Govt Receivables	120 - 180 Days	**Critical Strain**
Accounts Payable	30 - 60 Days	Immediate Need
Net Cash Gap	**120 - 180 Days**	**Financing Target**

CUSTOMER CREDIT PERIODS

Strategic Insight

Utilize **Reverse Factoring** for API suppliers to preserve your internal liquidity.

INDUSTRY THREATS & CHALLENGES

- **Price Controls:** DPCO limiting the margin on essential medicines.
- **Regulatory Audits:** Stringency of global health authorities leading to shutdowns.
- **Supply Chain:** High dependence on single geographies (e.g., China) for KSM.
- **Product Liability:** Risks associated with recalls or litigation in international markets.

"Regulatory compliance is no longer a cost center, but a strategic survival necessity in the global pharma landscape."

HOW TERKAR CAPITAL CAN HELP

TERKAR CAPITAL

Unsecured Funding

Up to **₹5 Cr** for API procurement and meeting monthly R&D payroll.

Secured Debt

₹5–100 Cr+ against plant machinery or trade receivables for expansion.

Invoice Discounting

Immediate liquidity against Govt tender or Hospital bills (10–14% PA).

LC/BG Limits

Essential for importing high-value APIs and providing performance guarantees.

CGTMSE Loans

Collateral-free funding for MSME pharma units up to **₹5 Cr**.

Strategic Support

Customized financial structuring aligned with the long gestation periods of the Pharma sector.

TERKAR®
CAPITAL

Partner with Terkar Capital

Empowering Pharma & Biotech Companies with Smart Solutions.

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