Fourrts (India) Laboratories Private Limited

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	113.00	CARE A-; Stable / CARE A2+	Reaffirmed
Short-term bank facilities	37.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Fourrts (India) Laboratories Private Limited (Fourrts) continue to derive strength from the vast experience of the promoters in the pharmaceutical industry, well-established operations in pharmaceutical formulations and strong distribution network with presence in both domestic and export markets. The ratings also derive comfort from low leverage, comfortable financial risk profile, and strong liquidity.

The ratings, are however, are constrained by modest profitability margins, competitive and regulated nature of the pharmaceutical industry, and susceptibility of margins to raw material price fluctuation and forex fluctuations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling-up of operations with total operating income (TOI) above ₹750 crore.
- Improvement in profitability margins on a sustained basis.

Negative factors

- Any debt-funded capital expenditure, leading to deterioration of overall capital structure with overall gearing increasing above unity.
- Any deterioration in overall liquidity position, which is presently aided by the presence of fixed deposits.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company shall sustain its performance and continue to maintain its comfortable financial risk position.

Detailed description of the key rating drivers:

Key strengths

Vast experience of promoters in the pharmaceutical industry

S V Veeramani, the Chairman and Managing Director, has been associated with the pharmaceutical industry for about four decades. He is also the chairman of Pharmaceutical Export Promotion Council. He, and his wife, daughters, and sons-in-law look after the business. The top management at Fourrts is supported by experienced and well-qualified management.

Established operations in the pharmaceutical formulations segment

The company currently has two manufacturing facilities – Plant 1, with WHO-GMP approval, has facilities to manufacture tablets, capsules, liquids and cream, and it caters to domestic and exports. Plant 2 caters only to exports and has facilities conforming to the UK-MHRA standards and in FY24 has also been approved by USFDA. For FY24, the capacity utilisation for tablets and liquids averaged at ~90%, capsules were lower at 20% and creams at 60% with overall average capacity utilisations in the range of at 60-65%. The company also outsources the manufacturing of its products based upon its requirements.

Strong distribution network in the domestic market

In FY24, ~68% of the company's revenues were generated from domestic sales. For the domestic market, at present, the company has over 1,750 Medical Representatives (MRs) with revenues majorly from South and East India. The company has been expanding its MR network over the last few years to expand its market in North and West India aiding growth in domestic sales which grew by 12% in FY24 to ₹497 Crores (PY: ₹443 Crores). The distribution network consists of 23 super stockists and ~1,200 stockists across the country.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Comfortable financial risk profile

Fourrts has a comfortable risk profile with moderate overall gearing of 0.61x as on March 31, 2024. As on March 31, 2024, Fourrts had free liquidity in the form of unencumbered fixed deposits worth of ₹170.92 crore, margin money deposit of ₹63.34 crores against the total debt of ₹177.66 crores as on March 31, 2024. It is to be noted, the debt includes loan of ~₹39.94 crore, which is against FDs and unsecured loans of ~₹22 crore from the promoters as on March 31, 2024.

Key weaknesses

Exports facing challenges

The company has been facing challenges in the export market and the absolute value and share in overall sales has seen a decline from FY23 levels. Exports reported a moderate drop from ₹247 crore in FY23 to ₹231 in FY24; however, saw a sharp decline to ₹135 crore in 9MFY25.

The sharp drop is reportedly due to logistical challenges and resultant elevated freight costs.

Modest profitability margins

While the company has been seeing consistent improvement in the revenue over the past few years, the profitability has remained moderate due to higher employee costs which is ~30% of the total income. FY24 saw a sharp increase in employee costs with addition of MRs leading to share of employee cost as percentage of TOI increasing from 28.6% in FY23 to 32.1% in FY24.

The employee cost also includes salary drawn by promoters, which is on an average 22% of the total employee cost. In FY23, this share has increased to 30% with the addition of four new directors (daughters and sons-in-laws of the promoters) in 2021. In FY24, it stood at 28.38% of the total employee cost.

Margins susceptible to raw material price fluctuations and foreign exchange fluctuations

The cost of the active pharmaceutical ingredient (API) is a major factor in determining the overall cost of a generic medication. Post-COVID-19, API prices experienced significant volatility due to supply chain disruptions and increased demand but have gradually stabilised as supply chains recovered. While the direct dependence on China is lower for Fourrts with 90% of API procured domestically, domestic prices are influenced by China. In FY24, gross margins improved by 4% primarily due to stabilisation of API prices.

The company also engages in export of its products to ~50 countries, with export income constituting 32% of net sales in FY24 (FY22: 36%), while ~8-10% of raw material purchases are imported. In the absence of other hedging mechanism (apart from some natural hedge), the company's profitability margins remain susceptible to adverse fluctuations in the foreign currency rates.

Nature of industry being very competitive and highly regulated

The domestic generic formulation industry consists of numerous contract manufacturers, multi-national companies (MNCs) and established domestic brands, with some of these players also having a pan-India presence. There is a concentration of market share among the leading players in the formulations segment. This leads to intense competition, which restricts the company's revenue growth and pricing flexibility.

Fourrts is also exposed to regulatory risk, since the players in the pharmaceutical industry need to manufacture products that meet the set quality standards of the various regulators. Good manufacturing practice (GMP) has to be followed for the control and management of manufacturing and quality control testing of drugs. Regular compliance with manufacturing quality standards of regulatory authorities is critical for selling products across various categories. Fourrts' operations remain exposed to regulatory restrictions, in terms of pricing caps in domestic markets and product/facility approvals in export destinations. With its presence in both domestic and export markets, the company has to follow the regulations from domestic and export country regulations as well.

Industry prospects

The Indian pharmaceutical sector is poised for robust growth, with projections indicating an approximate 9% increase in FY25-FY27. This growth is driven by structural trends such as domestic market expansion— anticipated from a 4% price increase, new product introductions, a growing share in chronic therapies, and deeper market penetration in tier-2 and tier-3 cities. These developments are supported by increasing consumer awareness, enhanced digital engagement, and strategic industry consolidation through mergers and acquisitions to bridge gaps in brands and therapeutic areas.

In the export sector, growth is expected from diversifying into specialty molecules, capitalising on opportunities in the off-patent market, and increased penetration into ROW markets. Historically, the credit profile of Indian pharmaceutical firms has been stable, sustained by robust profitability and a minimal reliance on debt—a trend that is likely to continue.

The ability of Fourrts to improve its revenue by increasing presence in regulated markets and improve margins remains key to the prospects of the company.

Liquidity: Adequate

Liquidity is marked by adequate accruals against low repayment obligations and healthy free cash and bank balance of ₹170.92 crore as on March 31, 2024. The company holds inventory for ~30 days on an average. The company offers receivable period of ~90-100 days for domestic and upto 120 days for export since the lead time for export is on the higher side. The receivables over six months increased to ₹56 crore as of FY24-end (PY: ₹25.75 crore) primarily due to one party. The working capital utilisation has been ~89% for the 12-month period ended January 2025.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Pharmaceuticals
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & biotechnology	Pharmaceuticals

Fourrts was founded by S V Veeramani as a partnership firm in 1977. It was incorporated as Private Limited Company in 1979 as Fourrts (India) Laboratories Private Limited (Fourrts). Fourrts is engaged in manufacturing and sale of generic formulations, cardiovascular, anti-diabetic, nutraceuticals, and anti-malarials. The company has two manufacturing facilities which are situated in Chennai. Plant 1 was established in 1985 and is WHO-GMP-approved and Plant 2 in 2013 and is approved by UKMHRA and EU-GMP and recently has got approval for USFDA as well. As of March 31, 2024, the company had installed capacity to manufacture 2800 million pieces of tablets, 600 million pieces of capsules, 2 million litres of liquids and 0.25 million kilograms of creams. Fourrts also does contract manufacturing majorly for its export customers. The company has ~23 super stockists, 1200 stockists, and 1750 medical representatives across the country.

Brief Financials (₹ Crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	698.65	744.11	542.00
PBILDT	60.23	60.86	NA
PAT (After def Tax)	38.03	44.80	NA
Overall gearing ratio (times)	0.60	0.61	NA
Interest coverage (times)	12.13	6.87	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Packing Credit in Foreign Currency		-	-	-	113.00	CARE A-; Stable / CARE A2+
Fund-based - ST-Forward Contract		-	-	-	1.00	CARE A2+
Non-fund-based - ST-Letter of credit		-	-	-	36.00	CARE A2+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (22-Feb-24)	1)CARE A-; Stable (07-Dec-22)	1)CARE A-; Stable (22-Feb-22)
2	Non-fund-based - ST-Letter of credit	ST	36.00	CARE A2+	-	1)CARE A2+ (22-Feb-24)	1)CARE A2+ (07-Dec-22)	1)CARE A2+ (22-Feb-22)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)Withdrawn (22-Feb-24)	1)CARE A2+ (07-Dec-22)	1)CARE A2+ (22-Feb-22)
4	Fund-based - LT/ ST-Packing Credit in Foreign Currency	LT/ST	113.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (22-Feb-24)	1)CARE A-; Stable / CARE A2+ (07-Dec-22)	1)CARE A-; Stable / CARE A2+ (22-Feb-22)
5	Fund-based - ST-Forward Contract	ST	1.00	CARE A2+	-	1)CARE A2+ (22-Feb-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Packing Credit in Foreign Currency	Simple
2	Fund-based - ST-Forward Contract	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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