

## Felix Generics Private Limited

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	96.20 (Enhanced from 43.70)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	1.30	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Felix Generics Private Limited (FGPL) continue to derive strength from the promoters' extensive experience in pharmaceutical industry, established manufacturing set-up with research and development (R&D) capabilities and synergy derived being the subsidiary of Ireland-based Felix Pharmaceuticals Private Limited (FPPL; holding 99.99% in FGPL as on March 31, 2024). Ratings further derive strength from moderate profitability and debt coverage indicators, comfortable capital structure, and adequate liquidity.

However, above strengths are constrained by the company's small despite growing scale of operations with limited product basket, presence in the competitive industry with geographical concentration, its profitability susceptible to foreign exchange risk and inherent regulatory risk associated with pharmaceutical industry. Ratings of FGPL also factor in implementation and stabilisation risk associated with the on-going diversification and capacity expansion project. CARE Ratings Limited (CARE Ratings) takes cognisance of revision in the cost of the on-going diversification and capacity expansion project, though with no major time overrun.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in scale of operations with total operating income (TOI) above ₹200 crore while maintaining profit before interest, lease rental, depreciation and tax (PBILDT) margin above 12% on a sustained basis.
- Total debt to PBILDT below 3x on a sustained basis.

#### Negative factors

- Decline in TOI to below ₹125 crore.
- Total debt to PBILDT above 5x on a sustained basis.
- Any cost escalation or time overrun in ongoing project impacting the liquidity of the company.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the company will continue to be benefitted from the promoters' extensive experience in the pharmaceutical industry and parentage of FPPL.

### Detailed description of key rating drivers:

#### Key strengths

##### Promoters' extensive experience in pharmaceutical industry

FGPL is promoted by Neeraj Agrawal, who has over 25 years of experience in the pharmaceutical industry. He worked as a CEO with Jubilant Generics Private Ltd (subsidiary of Jubilant Life Sciences Limited) from 2004 to 2014 managing their global generic business. He looks after the overall operations of the company.

FGPL is 99.99% owned by FPPL, which is engaged in research development, manufacturing and selling generic medicine for companion animals.

FGPL's promoters are ably supported by the experienced management team in the functioning of the company. Praveen Chaudhary, Executive Director, has over two decades of experience in the pharmaceutical domain and looks after the plant operations and project execution. Shruti Agarwal is the chief financial officer and has been associated with the company since April 2015.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Established R&D capabilities and manufacturing set-up**

FGPL has a well-established research and development (R&D) unit. FGPL develops and manufactures bio-equivalent generics product for companion pets – mainly, cats and dogs for FPPL. Apart from oral solid dosages (OSD) formulations, FGPL has expanded its portfolio across other dosage forms such as injectables, oral suspensions, and paste.

FGPL's manufacturing facility has been approved by Health Product Regulatory Authority (HPRA), Ireland, in April 2021 and U.S. Food and Drug Administration (USFDA) in October 2022.

As articulated by the management, inspection concluded successfully with no major observations. FGPL started formulation sales from FY24 and has a strong product development pipeline. Apart from OSD, it is expanding into injectables market. CARE Ratings expects FGPL to continue to be benefited from its R&D skills with focus on new products development in the niche veterinary generic segment.

**Synergy derived from parentage of FPPL**

FPPL, founded by Neeraj Agrawal, Shumeet Banerji, and Sir Jon Symonds, holds 99.99% equity stake in FGPL as on December 31, 2024. FPPL is engaged in developing and manufacturing generic drugs for companion animals for marketing and distribution in the US and other countries.

FPPL does not have any manufacturing operation. It outsources its production to FGPL and other third-party contract research and manufacturing organisations in India and other countries.

FPPL is the sole customer of FGPL, which results in the operational synergy with defined payment terms resulting in controlled working capital requirement. Board of director of FPPL has renowned and experienced professionals thus benefiting FGPL in strategic and technical matters. FPPL has established distribution channel, resulting in scale-up of the operations of FGPL within short span.

**Moderate profitability**

FGPL's profitability continues to remain moderate marked by PBILDT margin of 12.59% in FY24 (17.80% in FY23). The moderation was mainly considering change in sales mix with commencement of formulation sales. Moderation in profit margins stood in line with the anticipation. CARE Ratings expects its PBILDT margin to remain at ~13% in the near term. FGPL reported moderate profit after tax (PAT) margin of 8.72% in FY24 (11.54% in FY23). With increase in scale of operations, gross cash accruals (GCA) stood at ₹16.88 crore in FY24.

**Financial risk profile marked by comfortable capital structure and moderate debt coverage indicators**

FGPL has comfortable capital structure marked by overall gearing of 0.66x as on March 31, 2024. It is undertaking capex ~₹215 crore, which is being funded through the debt: equity mix of 0.81:1. With the planned drawdown of the debt, the capital structure shall moderate to some extent in medium term. FGPL has also availed USD 6 million (~₹50.03 crore), from FPPL in the form of external commercial borrowing (ECB), which is being utilised for the project funding and for the working capital purpose. ECB has been reclassified as debt owing to its defined repayment tenure. FGPL continues to maintain moderate financial risk profile, owing to nil debt in its existing operations and estimated tangible net worth (TNW) base of over ₹100 crore by end of FY25.

Debt coverage indicators remained moderate marked by PBILDT interest coverage and total debt to PBILDT of 175.70x and 3.46x, respectively, in FY24.

**Key weaknesses****Implementation and stabilisation risk associated with the on-going capex**

FGPL is undertaking capex of ₹215 crore which includes OSD capacity expansion capex of ~₹75 crore and related diversification capex (injectables) of ~₹135 crore. The capex cost was revised from the earlier envisaged level of ~₹150 crore, owing to addition of some plant and machineries and supporting infra creation. The same is being funded through the debt equity mix of 0.81:1 compared to earlier estimation of 0.74:1.

As on December 31, 2024, FGPL had incurred total cost of ~₹80 crore, which was being funded through the term loan of ₹43 crore, ECB of ₹4.21 crore and balance through the cash accruals, creditors, and available liquidity. For injectable capex, commercial production is envisaged to commence from April 2026, whereas for OSD it is Q2FY26.

Though project implementation risk is low, completion and commencement of the operation in the time-bound and cost-effective manner shall remain the key rating monitorable.

Considering almost doubling the capacity post completion of the capex, delay in the acceptance of the product or demand slowdown in the US market may result in the under-utilisation of the manufacturing capacity, which may impact return indicators of FGPL. Since proposed injectable plant is built per c-GMP guidelines of the USFDA, receipt of the necessary regulatory approval in timebound manner remains crucial to commence sales in its targeted market.

### Small though growing scale of operations with limited product basket

FGPL's TOI increased from ₹63.14 crore in FY23 to ₹139.61 crore in FY24 and ₹139.91 crore in 9MFY25. The same was led by ramp up of formulation sales and launch of new products. Apart from formulation sales, FGPL also receives service income for (R&D and other services) from FPPL.

Presently, FGPL has a small product basket where contribution of top three products in TOI remained high at ~43% in FY24 and 59% in 9MFY25, reflecting product concentration risk and customer concentration since FGPL's entire sales is to FPPL. However, CARE Ratings considers that FGPL has strong product development in pipeline and commercialisation of the same in a phase-wise manner shall lower the product concentration risk to certain extent.

### Presence in the competitive industry with geographical concentration and profitability susceptible to foreign exchange risk

The pharmaceutical industry is highly fragmented due to the significantly large product basket having varied applications. FGPL's profitability in the niche market of generic medicines for companion animals, may be limited due to increasing competition.

FGPL depends on a limited supplier base for its key raw materials, including active pharmaceutical ingredients (APIs) and pharmaceutical excipients. FGPL's profitability is susceptible to adverse increases in raw material prices in the absence of long-term supplier agreements.

However, since FGPL operates on the "cost plus margin" model, it passes on adverse fluctuation and maintain its profitability. It imports ~80-90% of its raw material which exposes its profitability to the foreign exchange fluctuation risks in the absence of formal hedging policy. However, it has natural hedge available as its entire sales is to parent, which is invoiced in USD, thus partially mitigating the forex volatility risk as it keeps balance receivable open which provide rupee depreciation benefit.

### Inherent regulatory risk associated with pharmaceutical industry

FGPL is exposed to the regulatory risk since the pharmaceutical industry players need to manufacture products meeting the set quality standards of the regulators across the globe and per the customer requirements. The company's operations remain exposed to regulatory actions in terms of maintaining product standard, facility approvals, and socio-political environment of export destinations among others. Good manufacturing practice (GMP) must be followed for the control and management of manufacturing and quality control. The pharmaceutical industry is highly regulated in many other jurisdictions and requires approvals, licenses, registrations, and permissions for business activities. Any non-adherence can lead to the significant impact of the business and financial performance.

### Liquidity: Adequate

FGPL's liquidity remained adequate marked by moderate despite growing cash accruals and receipt of the ECB from parent, part of which is also utilised for working capital requirement. Currently, FGPL does not have working capital limits. However, going forward, it may consider availing ₹10 crore of working capital limits. Existing cash accruals and un-utilised proceeds from ECB are adequate for its capex and operational requirements.

FGPL has free cash and bank balance of ₹16.91 crore as on December 31, 2024. It reported CFO of ₹4.04 crore in FY24. Current ratio and quick ratio remained comfortable at 1.82x and 1.03x, respectively, as on March 31, 2024 (3.48x and 2.22x as on March 31, 2023). FGPL's operations are working capital intensive marked by average inventory days of 60-70 days, average debtor's days of ~15-30 days against supplier days of ~60-70 days. Operating cycle is expected to remain at ~50-70 days.

### 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

### About the company

Incorporated in October 2014, FGPL is engaged in manufacturing veterinary generic formulation. Ireland-based FPPL holds 99.99% stake in the FGPL. FPPL is promoted by Neeraj Agrawal, Shumeet Banerji, and Jon Symonds. Neeraj Agrawal is also the promoter/director of FGPL. FGPL's manufacturing facility is at Pithampur SEZ, Indore with installed capacity of around 15 crore tablets per annum as on December 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	63.14	139.61	139.91
PBILDT	11.24	17.57	NA
PAT	7.28	12.18	NA
Overall gearing (times)	0.00	0.66	NA
Interest coverage (times)	832.90	175.70	NA

A: Audited; Prov.: Provisional; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	September 2033	96.20	CARE BBB-; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	1.30	CARE BBB-; Stable / CARE A3

### 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/Non-fund-based-LT/ST	LT/ST	1.30	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (30-May-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	96.20	CARE BBB-; Stable	1)CARE BBB-; Stable (30-May-24)	-	-	-

LT: Long 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-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

To view 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.

## Contact us

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### About us:

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