# Alembic Pharmaceuticals Limited

June 12, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Commercial paper | 1,100.00 (Enhanced from 750.00) | CARE A1+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Rating assigned to the commercial paper (CP) issue of Alembic Pharmaceuticals Limited (APL) continues to derive strength from its experienced and qualified management in the pharmaceutical industry, long track record and established presence in the domestic formulation market with strong formulation portfolio, presence in major regulated markets, and diversified revenue profile with vertically integrated operations. Rating further derives comfort from its healthy financial risk profile marked by large net worth base, low debt level, and strong liquidity.

However, rating strengths are partially off-set by continued moderate operating profitability margin due to its relatively higher exposure to US generic business, which is facing a pricing pressure and low utilisation of its new manufacturing facilities. Rating is also constrained due to increase in the working capital requirement at financial year-end led to higher-than-envisaged borrowings as on March 31, 2025, and saleability risk and overhead cost associated with the newly commissioned manufacturing facilities, which shall restrict profitability and return ratio (return of capital employed; [ROCE]) in the near term. Rating is further constrained considering its exposure to inherent regulatory risks associated with the pharmaceutical industry, intense competition and resultant pricing pressure in domestic and export markets.

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

### Positive factors

Not Applicable

### Negative factors

- Significantly larger-than-envisaged capex or acquisition, adversely affecting its free cash flows and debt coverage indicators.
- Increasing overall gearing ratio to greater than 0.5x on a sustained basis.
- Declining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin below 15% and significant adverse impact on its ROCE on a sustained basis considering lower-than-envisaged benefits from recently commissioned facilities.

## Analytical approach: Consolidated.

CARE Ratings Limited (CareEdge Ratings) has considered consolidated financials of APL because of operational and financial linkages with its subsidiaries/joint ventures (JVs)/associates. The list of entities consolidated in APL as on March 31, 2025, are included in **Annexure 6**.

## Detailed description of key rating drivers:

## Key strengths

### Qualified and experienced management

Since its incorporation in 1907 (earlier known as Alembic Chemical Works) by B D Amin, the Amin family has driven APL's operations. Chirayu Amin (chairman) is a third-generation entrepreneur and has over three decades' experience in the Indian pharmaceutical industry (IPI). Pranav Amin (MD) and Shaunak Amin (MD), sons of Chirayu Amin, also possesses experience of over a decade in the pharmaceutical industry. APL has well-qualified and experienced second-tier management with well-defined organisational structure and strong management information system.

### Diversified and vertically integrated operations

APL's business is divided in three broad segments, (i) branded formulations in the domestic market; (ii) international generics (sale of formulations in overseas markets); and (iii) active pharmaceutical ingredients (API; catering domestic and export markets). It is also present in the animal health business which is part of branded formulation business segment. These segments contributed ~35%, 48% and 17% of its consolidated total operating income (TOI), respectively, in FY25 (FY refers to period April 01 to March 31) indicating a diversified revenue stream. APL's revenue profile is also geographically well-diversified with presence in major regulated and semi-regulated markets; however, there is a greater focus on the United States (US; generic formulation sales in the US contributed ~29% of TOI in FY25).

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

The domestic branded formulation business grew by 6% year-over-year (y-o-y) in FY25 mainly considering 21% y-o-y sales growth in its animal health business. APL's branded formulation sales growth continues to remain subdued considering its large presence in anti-infective therapeutic segment. Its anti-infective therapeutic segment grew at a slower pace compared to industry growth. API business de-grew by 9% in FY25 on a y-o-y basis considering lower off-take from some customers. APL's top 10 brands in the domestic market constituted ~38% of branded formulation sales in FY25 (40% in FY24). Its generic formulation business (US and ROW) grew by 15% y-o-y in FY25 supported by new launches. CareEdge Ratings expects APL to continue to benefit by its diversified product portfolio in domestic and regulated market, especially with expectation of new product launches particularly in the US market. APL has vertically integrated operations, as it captively meets its API requirement for its key final products apart from selling API to customers. APL's ability to manufacture API for its key formulations partially protects it from supply uncertainties and volatility in the prices of API.

**Long track record and established position in domestic formulation market**
APL has an operational track record of over a century in the Indian pharmaceutical industry and is among the top 25 pharma players in the domestic formulation market. APL is ranked 20$^{th}$ with market share of ~1.4% in the domestic pharmaceutical market (Source: APL). APL has a portfolio of over 200 domestic formulation brands and has over 1,000 products (SKUs). APL has a field force of over 5,500 executives reaching ~2,40,000 medical practitioners across India. It earned ~74% of domestic revenue from top five therapeutic segments including anti-infective (18% of its domestic revenue), veterinary (18%), cardiology (13%), gynaecology (13%) and gastroenterology (11%).

**Large presence in regulated markets backed by consistent R&D focus**
In the last 6-7 years, APL has gradually increased its presence in overseas markets, where majority contribution comes from regulated markets such as the US. APL's US generic business started facing pricing pressure from FY22, resulting in lower sales realisation and profitability. There has been consolidation of distributors in the US, where top three distributors account for over 90% of the country's drug market. Hence, pricing power of suppliers have reduced considerably. Despite continued price erosion, APL grew its US generic business by 13% in FY25 over FY24 primarily considering new products launches and increase in the market share of existing products. Price erosion is expected to continue; however, new product launches and continued growth in sales volume is expected to support overall sales growth. APL made sizable investments in its R&D capabilities (annual R&D spend of ~12%-16% of consolidated sales in FY21- FY23) to grow its presence in regulated markets. However, the company has consciously decided to curtail its R&D budget (~8% in FY24 and FY25) considering competition in certain products in the US generics market. In FY25, the company filed eight abbreviated new drug application (ANDAs), leading to cumulative ANDA filling of 266 as on March 31, 2025. The company received 26 ANDA approvals in FY25, leading to cumulative ANDA approvals of 220 as on March 31, 2025. APL launched 16 products in FY25, and it envisages to launch ~15-20 products in the US market in FY26. CareEdge Ratings expects its US business to grow by at least 10% per annum over FY26-FY27.

**Comfortable capital structure and debt coverage indicators; however, higher than envisaged debt level**
APL's capital structure continued to remain comfortable marked by overall gearing ratio and total outside liabilities to total net worth (TOL/TNW) of 0.24x (PY: 0.11x) and 0.50x (PY: 0.34x), respectively, as on March 31, 2025. The capital structure is supported by large net worth base of over ₹5,100 crore as on March 31, 2025. Total debt increased to ₹1,258 crore as on March 31, 2025 (PY: ₹513 crore) and remained higher than envisaged, considering higher working capital requirement. APL's Q4FY25 sales grew by 17% (y-o-y) leading to higher receivables. Delays in some product launches and scheduled product launches in H1FY26 led to higher than usual inventory levels. With gradual decline in working capital requirement, total debt is expected to decline and remain below ₹1,000 crore by March 2026. APL's overall gearing is expected to remain below 0.20x in the medium term in the absence of major debt-funded capex plan. APL's debt coverage indicators also remain comfortable marked by total debt to PBILDT (TD/PBILDT) of 1.22x and TD to gross cash accruals (TD/GCA) of 1.46 years in FY25. Debt coverage indicators are expected to remain comfortable due to APL's healthy profitability. CareEdge Ratings expects cash accruals to remain adequate to meet its envisaged capex and working capital requirement and there would not be major reliance on external debt.

**Stable growth prospects of Indian pharmaceuticals sector**
The Indian pharmaceutical industry (IPI) comprises mainly formulations, API and contract research and manufacturing services (CRAMS) segments. The outlook for IPI is envisaged to remain stable in the medium-to-long term backed by growth opportunity in capitalising on major blockbuster drugs coming off-patent, paving the way for entry of generics, especially in the US market, and geographical diversification in emerging markets. In the domestic market, growth in the formulations segment is expected to be led by rise in chronic diseases, increasing per capita income, government initiatives such as new national health protection scheme and Ayushman Bharat programme, improving access to healthcare facilities, and growing penetration of health insurance.

**Liquidity: Strong**

APL's liquidity is expected to remain strong in the absence of scheduled repayment obligation between FY26-FY28. APL's liquidity indicator continued to remain strong marked by current ratio of 1.69x as on March 31, 2025. APL's internal accruals are expected to remain adequate to meet its capex and working capital requirement. Utilisation of its fund-based working capital limits (on a standalone basis) remained at ~67% (including borrowing through commercial papers) for the trailing 12 months ended April 2025. Its unutilised working capital limits provide additional liquidity cushion. Its healthy net-worth base and comfortable leverage provide significant financial flexibility to APL.

## Key weaknesses

**Continued moderate operating profitability margins and ROCE in FY25**

APL's TOI grew by ~7% in FY25, primarily supported by healthy growth in revenue from international generic business. Healthy growth in its international generics business compensated for subdued growth in its branded formulation business and decline of sales in its API business (y-o-y). Despite growth in revenue, APL's PBILDT margin continued to remain moderate at 15.40% in FY25 due to high overhead cost related to newly commissioned manufacturing facilities. With moderate operating profitability, the company's operating ROCE remained at ~15% in FY25 (PY: ~15%).

**Gradual ramp-up from of newly commissioned manufacturing facilities shall restrict profitability and ROCE in the near term**

APL embarked on the capex programme targeted towards increasing its presence in the US market by offering more complex and specialty products. APL set-up three new manufacturing facilities targeted to cater the US market. All three new manufacturing facilities are approved by the US Food and Drug Administration (USFDA). APL started commercial operations from one of its new manufacturing facilities in H2FY23, while it started commercial production of two other facilities in FY24. Management expects a gradual ramp-up in production and sales from these facilities which may have an impact on profitability and ROCE in the near-to-medium term, until APL begins to generate sufficient returns from its new formulation assets. CareEdge Ratings expects PBILDT margin to remain at ~~15%-16% in FY26 and operating ROCE to remain at ~15%-16% in FY26.

**Inherent regulatory risk in domestic and international markets**

APL derived ~35% of consolidated revenue in FY25 from domestic formulation business. ~13% of formulations feature in the national list of essential medicine (NLEM). Inclusion of fresh formulations in NLEM and consequently in the drug prices control order (DPCO) may restrict pricing flexibility for APL. It is also exposed to regulatory changes in global markets (primarily the US) as international generic business contributed ~54% to its revenue in FY25. Continuous efforts by the US government to bring down drug prices, intense competition in the US generic market, and consolidation of the US pharmaceutical distributors, may pose vulnerability to its profitability. Pricing in generic formulations in the regulated market, especially the US, is mainly driven by the dynamics of demand and supply. The wholesale pharmacy market in the US is dominated by few distributors. Non-compliance with good manufacturing practice (GMP) and subsequent adverse action by USFDA may also pose threat to the revenue and the company's profitability. However, APL has establishment inspection report (EIR) in place for all its operational manufacturing facilities.

## Environment, social, and governance (ESG) risks

| Risk factors | Compliance and action by the company |
|---|---|
| Environmental | The company has zero liquid discharge (ZLD) implemented facility. APL has taken several initiatives to reduce carbon emission and waste sent to landfill, by sending waste to the recycling and cement industries to an extent. In FY25, APL achieved a 21% reduction in specific water consumption and 16% reduction in landfill waste. It also started accounting for scope-3 emissions. |
| Social | APL faces a high social risk related to safety of consumers. APL is exposed to reputation risk related to quality of products/services. However, there have not been major instances of litigations and product recall in the past. APL continues to comply with the labour laws, adequate safety for workers, ensuring customer privacy and fair marketing practices to achieve long-term sustainability. APL has also implemented human rights policy and prevention of sexual harassment policy. |
| Governance | APL has adequate governance structure, with majority board comprising independent directors, presence of investor grievance redressal mechanism, whistle-blower policy and extensive disclosures. |

## Applicable criteria

Consolidation
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 and biotechnology | Pharmaceuticals |

APL is engaged in manufacturing and marketing branded formulations (in the domestic market), generic formulation (in overseas market) and API/ bulk drug in domestic and overseas markets. APL caters several therapeutic segments, including anti-infective, gynaecology, cardiology, diabetes, dermatology and oncology, where the anti-infective segment contributes the most to its revenue in the domestic market. The US forms major share of APL's revenue in its export market. APL operates total 10 manufacturing facilities at different locations in India (seven formulation facilities and three API facilities).

| Brief Financials (₹ crore) – Consolidated | FY24 (A) | FY25 (Ab.) |
|---|---|---|
| Total operating income | 6,236 | 6,696 |
| PBILDT | 941 | 1,032 |
| PAT | 616 | 582 |
| Overall gearing (times) | 0.11 | 0.24 |
| Interest coverage (times) | 16.74 | 13.10 |

A: Audited; Ab.: Abridged published results; 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 |
|---|---|---|---|---|---|---|
| Commercial Paper- (Standalone) | INE901L14BH4 | 19-Mar-2025 | 7.57 | 16-Jun-2025 | 150.00 | CARE A1+ |
| Commercial Paper- (Standalone) | INE901L14BI2 | 16-Apr-2025 | 6.88 | 16-Jul-2025 | 150.00 | CARE A1+ |
| Commercial Paper- (Standalone) | INE901L14BJ0 | 24-Apr-2025 | 6.65 | 24-Jul-2025 | 150.00 | CARE A1+ |
| Commercial Paper- (Standalone) | INE901L14BK8 | 02-Jun-2025 | 6.38 | 01-Sep-2025 | 150.00 | CARE A1+ |
| Commercial Paper- (Standalone) | INE901L14BL6 | 11-Jun-2025 | 5.98 | 10-Sep-2025 | 150.00 | CARE A1+ |
| Commercial Paper- (Standalone)^ | NA | - | - | - | 350.00 | CARE A1+ |

The company has availed CP of ₹750.00 crore of the total rated CP issue of ₹1,100.00 crore as on June 16, 2025; ^ Proposed.

## 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 2025-2026 | 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 |
| 1 | Commercial Paper- (Standalone) | ST | 1,100.00 | CARE A1+ | - | 1)CARE A1+ (18-Jun-24) | 1)CARE A1+ (19-Jun-23) | 1)CARE A1+ (21-Jun-22) |

ST: 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 | Commercial Paper-Commercial Paper (Standalone) | Simple |

**Annexure-5: Lender details**

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|---|
| To view lender-wise details of bank facilities please click here |

**Annexure-6: List of entities consolidated**

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | Alembic Pharmaceuticals Inc. | Full | Subsidiary |
| 2 | Alembic Labs LLC (formerly known as Orit Laboratories LLC) | Full | Subsidiary |
| 3 | Okner Realty LLC | Full | Subsidiary |
| 4 | Alembic Global Holding SA (AGH) | Full | Subsidiary |
| 5 | Alembic Pharmaceuticals Australia Pty Limited | Full | Subsidiary |
| 6 | Alembic Pharmaceuticals Canada Limited | Full | Subsidiary |
| 7 | Alembic Pharmaceuticals Europe Limited | Full | Subsidiary |
| 8 | Genius LLC | Full | Subsidiary |
| 9 | Alnova Pharmaceuticals SA | Full | Subsidiary |
| 10 | TicTwo Therapeutics Inc. | Full | Subsidiary |
| 11 | Alembic Lifesciences Inc. | Full | Subsidiary |
| 12 | Rhizen Pharmaceuticals AG | Moderate | Associate |
| 13 | Alembic Pharmaceuticals SPA | Full | Subsidiary |
| 14 | Alembic Pharmaceuticals S.A. de C.V. | Full | Subsidiary |
| 15 | Dahlia Therapeutics SA | Moderate | Associate |
| 16 | Incozen Therapeutics Pvt. Ltd | Moderate | Associate |
| 17 | Alembic Mami SPA | Moderate | Joint Venture |
| 18 | SPH Sine Alembic (Shanghai) Pharmaceutical Technology Limited | Moderate | Joint Venture |

**Note on complexity levels of rated instruments:** CareEdge 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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