

Nectar Lifesciences Limited

July 01, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|----------------------------|------------------|---------------------|---|
| Long-term bank facilities | 572.56 | CARE BB (RWN) | Placed on Rating Watch with Negative Implications |
| Short-term bank facilities | 357.44 | CARE A4+ (RWN) | Placed on Rating Watch with Negative Implications |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has placed ratings of Nectar Lifesciences Limited (NLL) on 'Rating watch with Negative Implications' following the delay in declaring its Q4FY25 (refers to January 01, 2025 to March 31, 2025) financial results. On May 30, 2025, NLL communicated to National Stock Exchange (NSE) and The Bombay Stock Exchange (BSE), stating that Sanjiv Goyal, Chairman & Managing Director of the company, was travelling and was unwell with a viral infection, preventing him from attending the meetings of the Audit Committee and the Board of Directors scheduled for that day, delaying the approval and sign-off of the financial statements. As of now, the company has not provided further communication regarding the revised timeline for the declaration of the Q4FY25 results. The lack of clarity from the company on the revised timeline for finalising and publishing the Q4FY25 results introduces a degree of uncertainty. Timely and transparent financial reporting is a key element of sound governance, and CareEdge Ratings will continue to monitor this matter closely and resolve the watch once the clarity with respect to publishing of the results emerges, nevertheless further delay or continued lack of clarity from the management may indicate weakening governance standards.

In 9MFY25 (refers to April 01, 2025 to December 31, 2025), the company's performance remained stable with a total operating income (TOI) of ~₹1,240 crore and an improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin from 8.41% in 9MFY24 to 10.30% in 9MFY25. However, ratings assigned to bank facilities of NLL are constrained by therapeutic concentration risk, working capital intensive operations, and succession risk. Ratings are also tempered by high pledging of shares, history of debt restructuring, and regulatory risk associated with pharma industry. That considered, ratings positively factor long track record of operation, experienced promoters, improving credit risk profile and accredited manufacturing facility with established customer base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Steady improvement in scale of operations by ~12% to 15% while maintaining PBILDT margin above 12% consistently leading to overall improvement in credit risk profile.
- Improved segment and product diversification with top five products contributing less than 50% of the total revenue.
- Total debt (TD) to PBILDT going below 2.75x.

Negative factors

- Major debt-funded capex, which potentially impacts liquidity, resulting in TD/PBILDT going above 4.50x.
- Decline in revenue by over 10% and PBILDT margin going below 7%.
- Prolonged or repeated delays in financial disclosures.

Analytical approach: Consolidated

CareEdge Ratings has taken consolidated approach or arriving at ratings of NLL, given the linkages with its subsidiaries. Companies considered for consolidation are listed under Annexure-6.

Outlook: Not applicable

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

Detailed description of key rating drivers:**Key weaknesses****Segment concentration risk**

NLL is primarily into manufacturing and marketing cephalosporin range of products where it derived over 90% of its revenue. While the company has oral and sterile products within cephalosporin category, there is product concentration risk in terms of therapeutic segment. The company caters only to anti-infective segment, which is subject to intense competition.

Elongated operating cycle

NLL's operations are working capital intensive. As on March 31, 2024, the company's operating cycle days though improved, remained high at 187 days (FY23: 210 days) with inventory days standing at 211 days and collection period at 64 days. Improvement in the collection period considering higher revenue contribution from domestic market in FY24 led to overall improvement in operating cycle. Average working capital utilisation for the month ending September 2024 remained high at ~97%. Given the nature of operations, CareEdge Ratings expects the operating cycle to remain in the range of 180-200 days.

Succession risk

NLL's promoter Sanjiv Goyal has two sons, Saurabh Goyal and Aryan Goyal; both were working as Executive Directors and were shareholders. However, both resigned from the company in 2018 after amicable settlement within the family and have started their own ventures. There was a family partition deed between the members, according to which, Saurabh and Aryan had issued an advertisement in the newspaper and filed a letter with The Securities and Exchange Board of India (SEBI) and Stock Exchanges regarding their disassociation with NLL by October 01, 2020. Though succession risk exists, the management has opined that the company is run by professional management, which will continue going forward.

Exposure to regulatory risk

The company is exposed to regulatory risk with its operations centred majorly in manufacturing active pharmaceutical ingredients (APIs) and formulations. The pharmaceutical industry is highly regulated in many other countries and requires approvals, licenses, registrations, and permissions for business activities. The approval process for a new product registration is complex, lengthy, and expensive. Time taken to obtain approval varies by country, usually ranging from six months to several years from the date of application. Delays or failures in getting approval for new product launch could adversely affect the company's business prospects.

Foreign exchange fluctuation risk

NLL is exposed to foreign exchange fluctuation risk in view of large volume and high-value transactions of export and import, a phenomenon common to industry players. The company does not have a hedging policy in place. However, there is presence of partial natural hedge. The company also imports ~55% of its raw material from China.

Key strengths**Established track record of operations**

NLL has established track record of operations of over three decades in pharmaceutical market. The company is a leading player in cephalosporin range of products, which includes oral and sterile cephalosporin; anti-infectives used in antibiotics. In oral cephalosporin, the company's product includes cefixime (for bacterial infections), cefuroxime axetil crystalline (for pneumonia), cefuroxime axetil amorphous (for sinusitis), cefpodoxime proxetil (for bronchitis), and cefprozil (for infections such as skin, ears, throat, and others). Products in sterile includes cefotaxime sodium, ceftriaxone sodium, cefuroxime sodium, cefazolin sodium, and ceftazidime pentahydrate. Based on their age profile, cephalosporins are segmented into first, second, third and fourth-generation molecules. First-generation molecules have the largest market share, but most of them are currently declining. However, second, third and fourth-generation cephalosporins are increasingly becoming popular and are growing.

Accredited manufacturing plant approved from regulatory authorities

NLL has four manufacturing plants (from where sales to external parties takes place), some of which, are approved by regulatory authorities such as EUGMP Inframed (Europe), KFDA (South Korea), PMDA (Japan), COFEPRIS (Mexico), MCC (South Africa), and ANVISA (Brazil). Till September 2024, the company filed 44 drug master files (DMF) and has also filed 15 abbreviated new drug applications (ANDA). The company has also one plant for making empty hard gelatine capsules (EHGC).

Reputed and globally diversified customer base

The company has reputed and diversified customer base spread across over 50 countries. In FY24, the company derived ~42% of its revenue from export markets (PY:53%). The major contribution from export in FY24 is from the UK (₹195 crore) and

Bangladesh (₹62 crore). Top five customers in FY24 contributed ~23% (PY: 27%) of the total revenue. Glaxosmithkline Services Unlimited is the largest export customer for the company.

Improved overall performance

The company's overall performance in FY24 and 9MFY25 have improved. TOI improved by 10.50% from ₹1,534 crore in FY23 to ₹1,695 crore in FY24. In 9MFY25, the company reported TOI of ~₹1,242 crore (9MFY24: ~₹1,244 crore). The PBILDT margins of the company, at the back improved overall performance and stable raw material cost has improved from 4.16% in FY23 to 9.60% in FY24 and to 10.30% in 9MFY25.

Moderate though improving overall financial risk profile

NLL has moderate capital structure as on March 31, 2024. Debt to equity ratio marginally improved and stood at 0.22x against 0.29x as on March 31, 2023. Overall gearing for FY24 stood at 0.64x against 0.82x in FY23. Debt risk metrics (term debt to gross cash accruals [GCA] and TD/GCA) improved in FY24 to 2.83x and 8.26x (against 17.67x and 49.93x in FY23) due to improvement in margins and overall reduction in debt due to regular repayment in FY24. Total term loan outstanding has decreased from ₹210.32 crore as on March 31, 2024, to ₹167.42 crore as on September 30, 2024. Interest coverage parameters (PBILDT/interest) improved from 0.71x in FY23 to 1.68x in FY24. While overall financial risk profile is improving, CareEdge Ratings notes 100% of the promoter's shares are pledged.

Liquidity: Adequate

NLL's liquidity position is adequate. In FY24, the company generated cash flow from operations of ~₹220 crore and cash accruals of ~₹79 crore, against term loan repayment of ₹68.30 crore. Going forward, for FY25 and FY26, the company is expected to generate cash accruals in the range of ₹90 to ₹100 crore (in 9MFY25 it generated cash accruals of ~₹63 crore). In FY25, company has total repayment obligation of ~₹83 crore, of which, ~₹60 crore has been repaid till December 2024. Considering the expected cash accruals, CareEdge Ratings expects that NLL will be able to comfortably meet its debt obligation.

Assumptions/Covenants: Not applicable

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

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 & Biotechnology | Pharmaceuticals |

Founded in 1995 by Sanjiv Goyal, NLL is a research-based pharmaceutical company, primarily engaged in manufacturing APIs and formulation. The company has four state-of-the-art manufacturing facilities across Punjab and Himachal Pradesh. The company is into manufacturing cephalosporin (oral and sterile) at its two units in Dera Bassi and Punjab.

| Brief consolidated Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (UA) |
|---|--------------------|--------------------|-------------|
| Total operating income | 1,534.46 | 1,695.36 | 1,242.37 |
| PBILDT | 63.80 | 162.83 | 127.85 |
| PAT | -24.19 | 5.00 | 16.41 |
| Overall gearing (times) | 0.82 | 0.64 | - |
| Interest coverage (times) | 0.71 | 1.68 | 2.25 |

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: The company has outstanding non-cooperation rating with Brickworks Ratings (BWR) at BWR B-; Stable ISSUER NOT COOPERATING /BWR A4 ISSUER NOT COOPERATING. As mentioned in its Press Release, dated November 25, 2024, despite best efforts to get the required information for review, the company has not complied. The company has not submitted monthly no default statement as required by regulatory guidelines.

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-Cash Credit | - | - | - | - | 405.14 | CARE BB (RWN) |
| Fund-based - LT-Term Loan | - | - | - | 31/03/2027 | 95.71 | CARE BB (RWN) |
| Fund-based - LT-Working Capital Demand loan | - | - | - | - | 31.56 | CARE BB (RWN) |
| Fund-based - LT-Working capital Term Loan | - | - | - | 31/03/2027 | 40.15 | CARE BB (RWN) |
| Non-fund-based - ST-BG/LC | - | - | - | - | 352.44 | CARE A4+ (RWN) |
| Non-fund-based - ST-Forward Contract | - | - | - | - | 5.00 | CARE A4+ (RWN) |

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 | Fund-based - LT-Term Loan | LT | 95.71 | CARE BB (RWN) | - | 1)CARE BB; Stable (28-Oct-24) | 1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable (05-Jul-23) | - |
| 2 | Fund-based - LT-Working capital Term Loan | LT | 40.15 | CARE BB (RWN) | - | 1)CARE BB; Stable (28-Oct-24) | 1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable (05-Jul-23) | - |
| 3 | Fund-based - LT-Cash Credit | LT | 405.14 | CARE BB (RWN) | - | 1)CARE BB; Stable (28-Oct-24) | 1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable (05-Jul-23) | - |
| 4 | Non-fund-based - ST-BG/LC | ST | 352.44 | CARE A4+ (RWN) | - | 1)CARE A4+ (28-Oct-24) | 1)CARE A4 (26-Mar-24) 2)CARE A4 (05-Jul-23) | - |
| 5 | Fund-based - LT-Working Capital Demand loan | LT | 31.56 | CARE BB (RWN) | - | 1)CARE BB; Stable (28-Oct-24) | 1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable | - |

| | | | | | | | | |
|---|--------------------------------------|----|------|----------------|---|------------------------|-----------------------|---|
| | | | | | | | (05-Jul-23) | |
| 6 | Non-fund-based - ST-Forward Contract | ST | 5.00 | CARE A4+ (RWN) | - | 1)CARE A4+ (28-Oct-24) | 1)CARE A4 (26-Mar-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-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based - LT-Working Capital Demand loan | Simple |
| 4 | Fund-based - LT-Working capital Term Loan | Simple |
| 5 | Non-fund-based - ST-BG/LC | Simple |
| 6 | Non-fund-based - ST-Forward Contract | Simple |

Annexure-5: Lender details

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 | Neclife PT, Unipessoal LDA | Full | Subsidiary |

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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