IOL Chemicals and Pharmaceuticals Limited

July 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	200.00	CARE A+; Stable	Reaffirmed
Short-term bank facilities	500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of IOL Chemicals and Pharmaceuticals Limited (IOLCPL) continue to derive strength from experienced promoters and management team, long track record of operations of over three decades with diversified product portfolio and well-established market position in its key product, Ibuprofen. Ratings also continue to take comfort from integrated operations resulting favourable overall cost structure. CARE Ratings Limited (CareEdge Ratings) believes IOLCPL's competitive advantage in manufacturing Ibuprofen is expected to sustain in the medium term, as the company is one of the major global players and is backward integrated in raw material required for manufacturing Ibuprofen. Ratings further continue to derive comfort from strong financial risk profile characterised by healthy net worth base, continuation of nil term debt and strong liquidity position and continued thrust of the company on diversification in active pharmaceutical ingredient (API) segment.

However, ratings continue to remain constrained by higher product concentration of two key products, Ibuprofen and Ethyl Acetate deriving ~72% (PY: 72%) total revenue in FY25. Ratings are further constrained by operating margin susceptibility to raw material price volatility, especially in chemical segment. Ratings also take cognisance of the slight moderation total operating income (TOI) and profitability in FY25 (refers to April 01 to March 31) largely considering volatility in finished goods prices in both pharma and chemical segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving operating performance, resulting in growth of over 15% in total operating income (TOI) and sustained earnings before interest, taxation, depreciation, and amortisation (EBIDTA) margin of over 20%.
- Diversifying product portfolio and reducing dependency on its main product Ibuprofen and ethyl acetate to below 65% in the overall revenue.
- Improving total debt to gross cash accruals (TD/GCA) to below 1.20x.

Negative factors

- Significantly declining TOI by over 20% year-over-year (y-o-y).
- Reducing profit before interest, lease rentals, depreciation and taxation (PBILDT) margin below 10% on a sustained basis, impacting its credit profile.
- Debt funded capex/acquisition, adversely impacting capital structure with overall gearing of over 0.50x.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CareEdge Ratings opinion that the company will continue to benefit from established market position in its key products, integrated operations, experienced promoters and management team.

Detailed description of key rating drivers:

Key strengths

Established market position and diversified product offering

The company was incorporated in 1986 with the commencement of business in chemical segment. In 2000, the company started production of Ibuprofen. IOLCPL is one of the largest manufacturers of Ibuprofen with significant global share and the company

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

is backward integrated for manufacturing Ibuprofen. IOLCPL has a market presence across over 50 countries with sales contribution from exports forming ~26.7% total sales in FY25 (PY: 27.8%). The company's overseas customers are majorly across Spain, Switzerland, Bangladesh, Brazil, Indonesia, UAE, Thailand, Hungary and United Kingdom, among others. The company is one of the largest manufacturers of Ibuprofen (capacity of 12000 MTPA) and has the second largest manufacturing capacity (12000 MTPA) for Iso Butyl Benzene (key raw material for Ibuprofen). Its Ibuprofen has recently received approval in China as well, though expected to take time to mature business, will be a major boost for the company's performance in the medium term considering the volatility in international markets post the US tariffs. The company also manufactures other APIs, including Paracetamol, Pantoprazole, Metformin, Clopidogrel, Fenofibrate, Lamotrigine and Gabapentin. The company also operates in the chemical segment and manufactures chemicals such as Ethyl Acetate, Acetyl Chloride, Acetic Anhydride and Mono Chloro Acetic Acid. Output from chemical segment is used both for captive consumption in manufacturing other products, and for external sale. At the end of FY25, the company has successfully expanded its manufacturing capacity for Paracetamol from 3,600 MTPA to 10,800 MTPA, and for Clopidogrel, from 180 MTPA to 240 MTPA. As of now the company's revenue share from non-Ibuprofen pharma products is ~20-25%, and target is for this ratio to reach closer to 35% in the next 2-3 years. The company is continuously researching on new APIs, with R&D expenditure amounting to ₹21.02 crore in FY25, against ₹19.33 crore in FY24.

Healthy financial risk profile despite moderation in TOI and margins

The company continues to have a healthy financial risk profile characterised by strong net worth base of ₹1675.07 crore (PY: ₹1599.76 crore) and comfortable overall gearing of 0.24x (PY: 0.23x) as on March 31, 2025. TD/PBILDT and TD/GCA stood at 1.87x and 2.13x, respectively, as on March 31, 2025, against 1.52x and 1.79x, respectively, as on March 31, 2024, showing moderation primarily considering higher outstanding working capital limits, at ₹117.04 crore as on March 31, 2025, against ₹32.76 crore as on March 31, 2024. The company's financial risk profile is expected to remain healthy in the medium term as entire capex planned in the next three years is projected to be funded from internal accruals.

Operationally, the company's TOI moderated marginally by ~2.7% to ₹2,087.55 crore in FY25 from ₹2,145.87 crore in FY24 mainly due to decline in selling prices even though sales volume of major products Ibuprofen and Ethyl Acetate increased in FY25. Consequently, the PBILDT and profit after taxes (PAT) margins also moderated. However, improvement was seen in Q4-FY25 in TOI and profitability, which is expected to sustain in the near-to-medium term.

Revenue from chemical segment declined by ~5.3%, while the pharma segment declined by ~4.0% in FY25, with overall revenue share being 59% from pharma and 41% from chemical segments in FY25. In the pharma segment, major revenue generating products are Ibuprofen, Metformin and Paracetamol, while in chemical segment, major revenue generating product is Ethyl Acetate and Acetic Anhydride.

Integrated manufacturing facilities

IOLCPL has an integrated manufacturing facility for chemicals and APIs. Backward integrated plants add to the company's strength, as major raw materials for Ibuprofen, which include Iso Butyl Benzene, Acetyl Chloride and Mono Chloro Acetic Acid are produced in house. The company also has a 17 MW co-generation captive power plant, which produces steam and power. This gives IOLCPL the advantage of lower power-related expenses. In addition, steam produced from the plant is used in manufacturing most key starting materials (KSM) of APIs in-house.

Key weaknesses

Concentrated revenue stream

IOLCPL derived ~72% (PY: 72%) total revenue in FY25 from the sale of two products Ibuprofen (~36% total sales) and Ethyl Acetate (~36% total sales), which exposes the company to revenue concentration risk. Although this has been gradually reducing year-over-year (y-o-y) considering continuous introduction of new products in API business. The company has been diversifying its product portfolio in the last few years by manufacturing new APIs which include Metformin, Clopidogrel, Fenofibrate, Pantoprazole and Paracetamol, among others. Pharma segment contributed 59% to the company's revenue in FY25 and this ratio is expected to further increase

Raw material and price volatility risk

Raw materials consumed remain a major cost driver for IOLCPL. It procures majority raw material from China in the chemical segment. These prices are volatile and have fluctuated in the past. Prices of Ethyl acetate and raw material required, which is acetic acid, has shown a volatile trend in the last few years, which exposes the company to price volatility risk, which may impact margins as Ethyl Acetate is one of the major contributors in its overall revenue. In the API business, the company procures majority raw material from the domestic market, prices and input cost of which, has been volatile in the last year. Though the company passes on rise in raw material price to customers, but it is with a lag, since, for instance, in the chemical business, once the company places the order for the raw material, it takes two months for it to get delivered and utilised for production in its facility.

Regulatory risk

The pharmaceutical industry is highly regulated in many countries and requires approvals, licenses, registrations and permissions for business activities with scrutinies by agencies such as US FDA and EU GMP for exports in the respective markets. Delays or failures in getting approval for new product launch could adversely affect the company's business prospects. However, the company's manufacturing facility of Ibuprofen has been approved by the USFDA in FY20 and recently from the Centre for Drug Evaluation (CDE) of the National Medical Products Administration (NMPA), China in April 2025. The company has also received approvals from pollution control board to ensure regulatory requirements against air and water pollution. IOLCPL's products are not covered under Drug Price Control Order (DPCO).

Liquidity: Strong

The company's liquidity profile is strong with average fund based working capital utilisation of ~55% for 12-months ending April 2025, leaving sufficient buffer in working capital lines. The company had an operating cycle of 78 days as on March 31, 2025 (PY: 82 days). The collection period is at 86 days (PY: 83 days), while average creditor period comes at 86 days (PY: 74 days) as on March 31, 2025. The company had healthy free cash and cash equivalents of ₹165 crore as on March 31, 2025, including free FDRs of ₹88 crores. Current ratio stood at 1.82x (PY: 2.05x) as on March 31, 2025. The company has no term debt obligations against a healthy GCA projected at ₹216.73 crore in FY26.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environmental	1. The company has been focusing to minimise adverse impact on environment, health, and safety by upgrading technology, optimum utilisation of resources and minimising effluent/waste generation. 2. The company has been complying with applicable statutory and legal requirements and providing safe working environment/workplace by imparting training to all employees. 3. The company has initiated using biofuels in its captive co-generation plant (17MW capacity) to reduce its carbon footprint. 4. The company has installed a Continuous Air Quality Monitoring System (CAQMS) to monitor real time concentration of all key pollutants in ambient air. 5. Implementation of emission reduction initiatives have resulted in reduction of Scope-01 Green House Gas (GHG) emissions by 4.58% in the FY 2022-23 and 3.91% reduction in Scope 1 + 2 emissions against baseline emissions in the FY 2023-24.
Social	1. The company is committed towards making a difference in the lives of communities surrounding its operations through CSR efforts. 2. The company has constructed and renovated schools and provided technical equipment for smart education. 3. The company did plantation in villages for restoring the environment. 4. The company provided primary healthcare including sanitation and community development by providing computers to schools.
Governance	1. The company has put in place a sound and well-structured corporate governance framework to operate more efficiently and ensure that best interests of its stakeholders are always upheld. Its Board and its committees, together with a strong executive leadership, helps it maintain highest standards of transparency, accountability, and awareness in its operations.

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 and biotechnology	Pharmaceuticals

IOLCPL was incorporated as a public limited company on September 29, 1986, by Varinder Gupta and Rajinder Gupta to setup acetic acid manufacturing facility. IOLCPL's manufacturing facility is at Barnala, Punjab, having total blended capacity of 1,80,222 metric tonne per annum (MTPA) as on March 31, 2025. IOLCPL is involved in manufacturing Chemicals (Ethyl Acetate, Acetyl Chloride, And Iso-Butyl Benzene) And Active Pharmaceutical Ingredients (Ibuprofen, Metformin, And Paracetamol).

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	2,145.87	2,087.55
PBILDT	244.64	210.69
PAT	135.42	101.00
Overall gearing (times)	0.23	0.24
Interest coverage (times)	15.20	14.27

A: Audited; 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-Working Capital Limits		-	-	-	200.00	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	500.00	CARE A1+

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	Non-fund-based - ST-BG/LC	ST	500.00	CARE A1+	-	1)CARE A1+ (05-Nov-24) 2)CARE A1+ (28-Jun-24)	1)CARE A1+ (30-Jun-23)	1)CARE A1+ (04-Jul-22)
2	Fund-based - LT-Working Capital Limits	LT	200.00	CARE A+; Stable	-	1)CARE A+; Stable (05-Nov-24) 2)CARE A+; Stable (28-Jun-24)	1)CARE A+; Stable (30-Jun-23)	1)CARE A+; Stable (04-Jul-22)

LT: Long term; 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	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

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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