Siflon Pharma Private Limited

August 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.56	CARE BB; Stable	Assigned
Long Term Bank Facilities	43.00 (Enhanced from 25.00)	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	1.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the enhanced bank facilities of Siflon Pharma Private Limited (SPPL) continue to be tempered by its modest scale of operations with fluctuating profitability during FY22-FY25 (Provisional) [FY refers to the period April 01 to March 31], moderate net worth base marred by losses incurred in the past, high reliance on working capital borrowings, competition from other established players in Veterinary APIs (Active Pharmaceutical Ingredient) segment and regulatory risks. Ratings weaknesses are partially offset by its experienced and resourceful promoters corroborated by consistent infusion of unsecured loan (USL) and equity in the business, established clientele base, wide product portfolio and stable industry outlook. Rating also takes cognizance of improvement in operations in FY25 after a weak performance in FY24 with gradual ramping up of operations at Vizag plant.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in overall credit metrics marked by total debt to PBILDT at or less than 5x
- Improvement in ROCE at or above 10% on a sustained basis

Negative factors

- Continued losses at operating level, inability to ramp up operations for its newly commissioned plant in Vizag as envisaged.
- Further stretch in liquidity, or operating cycle elongating to beyond 120 days

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CAREdge Ratings') expectation that SPPL will continue to benefit from experienced management and resourceful promoters.

Detailed description of key rating drivers:

Key weaknesses

Fluctuating and moderate financial performance with net loss reported during FY24 and FY25

The company's total operating income (TOI) was fluctuating from FY22 to FY25 due to declining sales realization backed by competition in the veterinary API market. After operating losses in FY24 caused due to lower realization and higher raw material costs, FY25 showed a turnaround with improved revenue and positive operating profit driven by stronger demand and stabilization of a new plant in Vizag. The company incurred net loss in FY24 and continued in FY25 but narrowed down in FY25 due to reduced interest expenses.

Weak debt coverage indicators

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

The debt coverage ratio stands weak marked by high debt levels and net losses booked for the last two financial years ended FY25. The interest coverage marked by PBILDT/Interest stands below unity in FY25 due to lower PBILDT levels relative to substantial interest expenses. Additionally, the TDGCA is very high, driven by minimal cash accruals in FY25.

Extensive dependence on working capital borrowings
The entity's operations are working capital intensive, although it maintained a satisfactory operating cycle of around 2 months during FY21-FY22, supported by efficient working capital management and faster collections from clients. However, the cycle extended to approximately 4 months during FY23-FY25 due to longer collection periods—resulting from extended credit terms for existing and new clients—and increased inventory tied to new product launches from the Vizag unit. During this period, collections and inventory holding each averaged about 3 months, while supplier payments were cleared within 2 months. As a result, its fund-based working capital utilization is almost fully utilized for the 12 months ending May 31, 2025.

Exposure to regulatory and forex risks
Companies operating in the Active Pharmaceutical Ingredient (API) sector face significant regulatory risks due to the oversight of multiple authorities across various jurisdictions. SPPL's manufacturing facilities are certified under WHO-GMP and GMP standards, which, while affirming quality compliance, also expose the company to potential risks stemming from regulatory non-compliance and evolving government policies. Additionally, SPPL is subject to foreign exchange risk, as approximately 47% of its revenue is derived from export activities, making its financial performance sensitive to currency fluctuations. SPPL is exposed to foreign exchange fluctuation risk in view of export transactions, a phenomenon common to the players in the industry.

Key strengths

Extensive experience of promoters in the veterinary API
Siflon Pharma Private Limited (SPPL) is promoted by Mr. Rallapalli Ananthaiah and his wife, Mrs. Rallapalli Swetha, both actively involved in the company's daily operations. Mr. Ananthaiah is a chemical engineer, while Mrs. Swetha holds a B.Tech and an MBA in Finance. Together, they bring over 25 years of experience in the veterinary API industry. Administration, accounts, and quality control are overseen by Smt. Rallapalli Parvathi.
Promoters are resourceful and have past track record of extending financial support to the company per requirements of business operations. As on March 31, 2025, the total USL stands at Rs 34.20 crore and the support is expected to continue in future.

Geographically diversified revenue
SPPL has a well-diversified revenue stream, with exports contributing approximately 47% to its revenues in FY25, compared to 50% in FY24. SPPL exports to over 40 countries worldwide, with key markets including China, Germany, Kenya, Morocco, Uruguay, and Jordan. SPPL product's wide usage across multiple countries and SPPL's decade-long experience has helped the company establish a strong brand in the veterinary API segment.

Liquidity: Stretched
Liquidity remained stretched marked by gross cash accruals tightly matching its term debt repayment obligations due to net losses reported in FY25. However, SPPL is expected to generate adequate GCA against the repayment obligation of Rs 4.85 crore in FY26. Stretched liquidity is further supported by weak current ratio at 0.92x as on March 31, 2025, and high utilization of its working capital limits. Its bank limits of Rs. 45 crores (now reduced to Rs 43 crore as on July 01, 2025) were almost fully utilised during last 12 months ended May, 2025. It maintains moderately high level of inventory. The average inventory days in last two fiscal year(s) remained high at 83 days. While cash-flow from operations was just positive in FY25, with unencumbered cash and bank balance was around Rs.3.02 crore as on March 31, 2025. Promoters have been infusing the USL on need basis and as on March 31, 2025, a total of Rs 34.20 are infused, which are considered as quasi capital in our tangible net worth calculation. The support is likely to continue in the form of equity or unsecured loans to meet its working capital requirements and repayment obligations in case of exigency in future as well.

Assumptions/Covenants: NA

Environment, social, and governance (ESG) risks: NA

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

Siflon Pharma Private Limited (SPPL), based in Anantapur, Andhra Pradesh, was initially established as a partnership firm named Siflon Drugs in 1999 by its promoter, Mr. Rallapalli Ananthaiah and his wife, Mrs. Rallapalli Swetha. Later in May 2022, it was converted into a private limited company. SPPL is into manufacturing of veterinary API and bulk drug. SPPL focuses on the production of key veterinary pharmaceutical compounds, including oxyclozanide, rafoxanide, closantel base, closantel sodium, and closantel amino compound, among others. These products are widely used in the treatment of parasitic infections (anti parasitic) in livestock or pets, contributing to animal health and the veterinary pharmaceutical supply chain.

The company operates two dedicated manufacturing units located in Ananthapur and Vizag in the state of Andhra Pradesh

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (P)	Q1FY26 (UA)
Total operating income	119.28	147.04	40.00
PBILDT	-0.56	6.75	NA
PAT	-18.20	-5.53	NA
Overall gearing (times)	4.52	1.37	NA
Interest coverage (times)	-0.06	0.88	NA

A: Audited, P: Provisional, UA: Unaudited; Note: these are latest available financial results, NA: Not Available

Status of non-cooperation with previous CRA: None

Any other information: NA

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		-	-	-	43.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	June 2033	20.56	CARE BB; Stable
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	1.00	CARE A4

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-Cash Credit	LT	43.00	CARE BB; Stable	1)CARE BB; Stable (01-Aug-25)	-	-	-
2	Fund-based - LT-Term Loan	LT	20.56	CARE BB; Stable				
3	Non-fund-based - ST-Loan Equivalent Risk	ST	1.00	CARE A4				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

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	Non-fund-based - ST-Loan Equivalent Risk	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.

Contact us

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About us:
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