CareEdge RATINGS

Orchid Pharma Limited

August 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	207.50	CARE A- (RWD)	Continues to be on Rating Watch with Developing Implications
Long-term / Short-term bank facilities	75.00	CARE A- / CARE A2 (RWD)	Continues to be on Rating Watch with Developing Implications
Short-term bank facilities	84.00	CARE A2 (RWD)	Continues to be on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Orchid Pharma Limited (OPL) continue to be on "Rating watch with developing implications" following the company's announcement of the approval of board of directors for a proposed scheme of amalgamation and arrangement between Dhanuka Laboratories Limited (DLL) and OPL. DLL is the parent company of OPL and holds 69.84% of the shares in OPL as on December 31, 2024. CARE Ratings Limited (CareEdge Ratings) notes that this scheme is pending requisite approvals. CareEdge Ratings will continue to monitor the progress of developments in this regard.

Recently, OPL entered an agreement with the Insolvency Administrator of Allecra Therapeutics GmbH (Germany) to acquire all assets, including intellectual property, trademarks, customer contracts, regulatory filings and tangible/intangible assets of Allerca Therapeutics Gmbh, subject to certain conditions precedent. OPL had out licensed the global marketing rights of its novel antibiotic molecule, Enmetazobactam to Allerca Therapeutics Gmbh. OPL is now actively pursuing the acquisition of the assets of Allerca Therapeutics Gmbh to bring back the global marketing rights of its molecule. OPL has also acquired 100% share capital of Weilchensee 1272. V V GmbH, a company incorporated in Germany for a consideration of €28,500. In light of recent developments, CareEdge Ratings is engaging with OPL to understand the exact implications of these acquisitions on its financial and operational profile and will continue to monitor developments in this regard.

Ratings continue to draw comfort from the promoter's experience in the pharmaceutical industry and internationally accredited manufacturing facilities, and steady improvement in the company's operational performance and comfortable capital structure. However, ratings are constrained by concentration of product portfolio with application in limited number of therapeutic segments, moderate proportion of sales from regulated markets and exposure the regulatory risk and dependence on imports for raw materials.

CareEdge Ratings notes that as part of the backward integration, the company is setting up a unit for production of Key Starting Material (KSM) in one of its subsidiaries. This capex is expected to be a relatively large-sized debt-funded project. Project is being set up under the production-linked incentive (PLI) scheme of the government of India (GOI) and is also entitled to interest subvention and tax concession benefits. Although the project experienced some delays due to land acquisition issues, construction has now commenced and is progressing well. Timely completion of this project within cost estimates would be key to the company's prospects.

The company is also undertaking investments in other projects including setting up vial lyophilization facility for manufacturing cefiderocol injection under the manufacturing sub-license agreement with Global Antibiotic Research & Development Partnership (GARDP), and construction of a downstream plant at its existing facility in Alathur. Its successful completion and scaling up would be an important credit monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely completion of the capex at subsidiary and deriving benefits from it at a consolidated level.
- Improvement in scale of operations above ₹1000 crore with margins above 20% deriving benefits from expansion in regulated markets, receipt of royalty payments from New Chemical Enty (NCE).

Negative factors

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

- Negative regulatory observations resulting in disruption of operations.
- Large debt funded capital expenditure resulting in deterioration of overall gearing above 1x.

Analytical approach: Consolidated

CARE Ratings has adopted consolidated approach for analysis as OPL and its subsidiaries are into similar line of business, with exposure to the subsidiaries and likelihood of financial support for the subsidiaries in the future. Details of subsidiaries are mentioned in Annexure-6.

Detailed description of key rating drivers:

Key strengths

State-of-the-art manufacturing facility with approvals from regulated markets

OPL has its manufacturing plant at Alathur, Chennai, which is its active pharmaceutical ingredients (API) manufacturing unit. This plant is certified by USFDA, MHRA –UK, EDQM, and GMP for manufacturing cephalosporin-based APIs. The company is also one among the three global players to have a USFDA approvals for cephalosporin-based sterile APIs. In the generic formulation's domain, OPL holds 06 ANDAs in the generic formulation domain and in the API domain as on March 2024, OPL's cumulative filings of US DMF stand at 48. EU GMP audit for the facility was completed in October 2024, and company has received certificate of compliance. The company also underwent a USFDA inspection in February 2025, which concluded without major critical observations.

Over three decades of experience of promoters in the pharmaceutical industry

The promoters, the Dhanuka group, have presence in the agrochemical and pharmaceutical industries. Their experience in the pharmaceutical business comes from two companies, Dhanuka Laboratories Limited (DLL) and Synmedic Laboratories. DLL operates in the API space with major presence in the cephalosporin API business. DLL primarily operates in non-regulated/semi-regulated markets. Synmedic Laboratories, a partnership firm, operates in the formulation segment, and exports finished pharmaceutical formulations to the non-regulated markets. DLL holds a small stake in Otsuka Chemical India Private Limited and is engaged in the manufacture of glucuronic acid epimerase (GLCE), a key raw material, for manufacturing cephalosporin and is a major supplier for OPL.

Manish Dhanuka, Managing Director, OPL, is a chemical engineer from IIT Delhi, completing his master's in chemical engineering from University of Akron, USA. After completing his education, he worked with Ranbaxy Labs Limited, before starting DLL. He has over 26 years of experience in the pharmaceutical industry.

Stable operational performance

Company has improved the production level and capacity utilisation in the recent past. With the capacity utilisation in sterile reaching over 100%, the company has further expanded the capacity from 140 MT to ~165 MT in FY24 and further increased to 200 MT in H1FY25. With the increase demand for anti-biotics and improvement in production levels, the company has achieved 23% y-o-y growth in total operating income (TOI) in FY24 and ~12% in FY25. Due to lower-than-envisaged expansion in regulated markets, margins have remained lower than 15%. However, with continuous process efficiency measures, PBILDT margins are sustained at ~13-14% in the last three years.

Comfortable capital structure; albeit expected to deteriorate

Capital structure is comfortable with overall gearing of 0.20x as of March 25 (PY: 0.19x) at a consolidated level. However, overall gearing is expected to increase in the coming years due to planned capex projects that the company is undertaking, which is partly funded through external debt that has already been tied up.

Commercialisation of NCE and new products in pipeline

The company has successfully developed its own molecule, enmetazobactum, which has cleared Phase 3 clinical trials, becoming the first such molecule from India to achieve this milestone. Enmetazobactum was out-licensed to Allecra Therapeutics in 2013 and following completion of Phase 3 trials in 2020, the molecule was further out-licensed to Advanz Pharma in Europe and Shanghai Haini in China. This product has been commercialised in EU and company has started receiving royalty income from the partners. Marketing rights of this molecule for India is with the company, and they partnered with Cipla for marketing this product. The company also started selling this product under their own brand 'ORBLICEF' directly to hospitals. Contribution from the new product in the form of royalty or sales is marginal at this juncture.

OPL entered a manufacturing sublicense agreement with GARDP to manufacture cefiderocol, which is still under the patent of Shionogi & Co Ltd. OPL has exclusive agreement for manufacturing this product and would manufacture the end-product not just the API.

Key weaknesses

Concentrated product portfolio

Major products of OPL and DLL remain cephalosporin-based APIs, which are mainly used in anti-bacterial, anti-biotic and anti-inflammatory formulations. While the company has a wide range of product portfolio within this, the revenue is concentrated on the top two products - Cefixime and Cefuroxime Axetil, which accounts for ~71% of revenue in FY24. These key products are among the essential bulk drugs listed by the GOI to reduce dependence on Chinese imports.

Exposure to regulatory risk

The pharmaceutical industry is highly regulated and requires approvals, licenses, registrations and permissions for conducting business activities. The approval process for a new product registration is complex, lengthy and expensive. The time taken to obtain approval varies across countries and authorities, usually taking a minimum of six months to several years from the date of application. Delays or failure in obtaining approvals for new product launch could adversely affect the company's business prospects.

Debt-funded capital expenditure plans

OPL has set up a subsidiary called Orchid Bio Pharma Limited for undertaking PLI-based capital expenditure project in Jammu. OPL has received 1,000 MTPA approval from GoI in its wholly owned subsidiary (WoS). The estimated project cost is at ₹596 crore, of which ₹90 crore is expected to be funded out of qualified institutional placements (QIP) proceeds, ₹59 crore from internal accruals and remaining ~₹447 crore by debt. The project is expected to have benefits of interest subvention and tax concessions under government schemes. About 75% of the off take is expected to be from OPL, and the rest would be to third parties directly from the subsidiary. As on March 2025, the company has spent ~₹123 crore primarily towards land acquisition, civil construction, and advances against plant machinery orders, with ~₹12 crore funded through debt. The management expects the project to be completed by end of FY26, with commercial operations starting from FY27.

Parallelly, OPL is also envisaging a capex for processing 7ACA from the subsidiary at an estimated cost of ~₹100 crore, to be entirely funded from the QIP funds.

OPL is also setting up vial lyophilization facility for manufacturing cefiderocol injection under the manufacturing sub-license agreement with GARDP. Total project cost is estimated to be ₹190 crore, of which ₹142.50 crore is expected to be debt funded. As on January 2025, the company has already spent ~₹20 crore in capex for this project, primarily towards capital advances for plant and machinery. The project completion is expected by FY27 with commercial production starting from FY28. Timely completion of these projects within cost estimates would be a key monitorable.

Liquidity: Adequate

Liquidity profile is adequate marked by sufficient cash accruals in FY25 with nil term debt repayment obligations for FY26. However, there are sizeable capex plans that are expected to be funded by a mix of QIP proceeds, internal accruals and debt funding. Repayment for the proposed term loans is envisaged to commence from FY27. The operations are working capital intensive with the company availing ~60-90 days of credit period from suppliers and 2-3 months of credit period given to customers. Average Working capital utilisation for 12 months ended September 2024 stands low at 14.71%. As of March 31, 2025, OPL has cash and bank balance stood at ₹179.63 crore, which includes unutilised QIP proceeds of ₹145.30 crore parked in fixed deposits.

Environmental, Social and Governance Risk assessment:

Environmental	OPL has employed a state-of-the-art technology, zero liquid discharge (ZLD) treatment plant and world class treatment facilities for its liquid and gaseous pollutants generated from the production processes. Hazardous waste is collected and stored in protected storage shed and disposed of per authorisation. Bio sludge generated from the biological process of effluent treatment is converted into useful compost. The company has taken several ongoing measures to reduce consumption of water and energy. World Environment Day was celebrated on June 05, 2023, by planting trees within factory premises to create awareness on environment among employees.

Social	The company prioritises well-being of its employees by providing training on health, safety measures, and skill upgrades. The company has health and safety standards in place and has given over 850 training courses on health and safety and skill upgradations. In FY24, training programs covering Chemical safety-SDS, Work Permit System, Fire prevention & mitigation, Emergency preparedness, first aid and Process Safety Management was provided to employees.
Governance	In Compliance with Regulation 34(3) read with Schedule V of the Listing Regulations. The company has eight directors of which four are independent directors. Composition of different boards and committees per regulations.

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

Established in 1992, OPL is an integrated pharmaceutical company with presence in bulk drug manufacturing and formulations. The company was acquired by DLL under Corporate Insolvency Resolution Process (CIRP) by The National Company Law Tribunal (NCLT) and the resolution plan has been implemented w.e.f. March 31, 2020. At present, OPL has three manufacturing facilities in Chennai. The API unit at Alathur is USFDA-certified, while the two formulations units in Alathur cater to exports to non-regulated markets and the domestic market.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	671.10	826.10	921.93
PBILDT	89.66	117.98	117.18
PAT	53.09	92.17	99.66
Overall gearing (times)	0.65	0.19	0.20
Interest coverage (times)	2.72	7.05	8.06

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-Cash Credit		-	-	-	65.00	CARE A- (RWD)
Fund-based - LT-Term Loan		-	-	Proposed	142.50	CARE A- (RWD)
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	75.00	CARE A- / CARE A2 (RWD)
Non-fund-based - ST-BG/LC		-	-	-	84.00	CARE A2 (RWD)

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	-	-	-	-	1)Withdrawn (30-Nov-23)	1)CARE BBB; Stable (10-Feb-23) 2)CARE BBB- (RWD) (27-Dec-22)
2	Non-fund-based - ST-BG/LC	ST	84.00	CARE A2 (RWD)	-	1)CARE A2 (RWD) (10-Mar-25)	1)CARE A2 (RWD) (15-Dec-23) 2)CARE A2 (30-Nov-23)	1)CARE A3+ (10-Feb-23) 2)CARE A3 (RWD) (27-Dec-22)
3	Fund-based - LT-Cash Credit	LT	65.00	CARE A- (RWD)	-	1)CARE A- (RWD) (10-Mar-25)	1)CARE A- (RWD) (15-Dec-23) 2)CARE A-; Stable (30-Nov-23)	1)CARE BBB; Stable (10-Feb-23) 2)CARE BBB- (RWD) (27-Dec-22)
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	75.00	CARE A- / CARE A2 (RWD)	-	1)CARE A- / CARE A2 (RWD) (10-Mar-25)	1)CARE A- / CARE A2 (RWD) (15-Dec-23) 2)CARE A-; Stable / CARE A2 (30-Nov-23)	1)CARE BBB; Stable / CARE A3+ (10-Feb-23)
5	Fund-based - LT-Term Loan	LT	142.50	CARE A- (RWD)	-	1)CARE A- (RWD) (10-Mar-25)	1)CARE A- (RWD) (15-Dec-23) 2)CARE A-; Stable (30-Nov-23)	-

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - ST-BG/LC	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	Orchid Pharmaceuticals Inc.	Full	Wholly owned subsidiary
2	Orgenus Pharma Inc.	Full	Wholly owned subsidiary
3	Orchid Pharma Inc. / Karalex Pharma LLC	Full	Wholly owned subsidiary
4	Bexel Pharmaceuticals Inc.	Full	Wholly owned subsidiary
5	Diakron Pharmaceuticals Inc.	Full	Subsidiary
6	Orchid Bio-Pharma Limited (OBPL)	Full	Wholly owned 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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About us:
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