Smruthi Organics Limited

August 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	11.00	CARE BBB-; Stable	Downgraded from CARE BBB; Negative
Long-term / Short-term bank facilities	15.00	CARE BBB-; Stable / CARE A3	Downgraded from CARE BBB; Negative / CARE A3+
Short-term bank facilities	7.00	CARE A3	Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has revised ratings assigned to bank facilities of Smruthi Organics Limited (SOL) considering subdued operating performance over an extended period characterized by limited revenue traction and pressure on profitability, which was further aggravated by sharp decline in revenue and losses in Q1FY26 (refers to April 1 to June 30).

Ratings continue to derive comfort from promoters' extensive experience in the pharmaceutical industry, accredited manufacturing facilities and comfortable capital structure and satisfactory debt coverage indicators. However, these rating strengths remain tempered by moderate scale of operations, moderate profitability, product and customer concentration risk, susceptibility of operating margins to volatile raw material prices, foreign exchange rate, and exposure to regulatory risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) of more than ₹150 crore and profit before interest, lease rentals, depreciation and tax (PBILDT) margin of 10-12% on a sustained basis.
- The company's ability to reduce the therapeutic concentration risk with no segment contributing over 30% and diversifying its customer base.
- The company's ability to diversify geographically with significant revenues from regulated markets.

Negative factors

- Decline in TOI below ₹100 crore with further moderation in profitability.
- Total debt to PBILDT of over 3x on sustained basis.
- Deterioration in working capital cycle of over 140 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects the company's ability to maintain its capital structure in the absence of major debt-funded capital expenditure (capex) over the near-to-medium term and will continue to benefit from extensive experience of its promoters.

Detailed description of key rating drivers:

Key strengths

Comfortable capital structure and satisfactory debt coverage indicators

As on March 31, 2025, the company's overall gearing stood comfortable at 0.24x (PY: 0.17x). Debt coverage indicators also remained satisfactory marked by total debt to gross cash accruals (TD/GCA) of 1.87x in FY25 (refers to April 01 to March 31) against 1.36x for FY24. Total debt to PBILDT stood at 1.39x for FY25 against 0.99x for FY24. Interest coverage remained healthy at 6.52x in FY25 (8.56x in FY24). The moderation in debt coverage indicators was considering term debt availed for plant modernization, automation, and utility upgrades.

Experienced promoters in bulk drug manufacturing industry

SOL is managed/promoted by Purushotham Eaga and Swapnil Eaga, having experience of over 30 years and 15 years, respectively, in the pharmaceutical industry. SOL has over three decades of track record in the pharmaceutical industry with presence in manufacturing bulk drugs and active pharmaceutical ingredients (APIs).

Accredited manufacturing units

SOL has two manufacturing units at Solapur, Maharashtra. Facilities are spread over 22 acres with total annual capacity of ~5,800 MT, thus capable of handling large volumes. The plant is Good Manufacturing Practice (GMP) certified. The company's research and development department is recognized by the Directorate of Scientific and Industrial Research (DSIR), Government of India.

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

Key weaknesses

Subdued operating performance over an extended period, sharp decline in Q1FY26

SOL's TOI has remained moderate in the range of ₹125 crore to ₹140 crore in FY21- FY25. In FY25, the company's revenue remained stagnant at ₹126.04 crore against ₹127.65 crore in FY24 considering continued pressure on selling prices for SOL's key products in domestic and international markets. SOL's profitability remained subdued over FY21- FY25 with PBILDT margin declining from 22.60% in FY21 to 9.68% in FY25.

In Q1FY26, SOL's TOI declined sharply to ₹19.08 crore against ₹27.27 crore in Q1FY25, indicating a reduction of 30% y-o-y. The deterioration in performance was primarily considering continued pricing pressure faced by SOL's key products and lower exports to Pakistan owing to trade sanctions. Consequently, SOL's profitability was impacted with net losses widening to ₹1.10 crore (net loss of ₹0.92 crore in Q1FY25). In the near term, prices are expected to remain low, which could restrict SOL's sales and profitability growth.

Product and customer concentration Risk

SOL is primarily an API manufacturer, with APIs representing over 80% of revenue contribution and the remaining is accounted for by intermediates. The share of top two products stood at ~50% of the revenue in FY24 and 9MFY25 (refers to April 01 to December 31), each reflecting high dependence on sales from top two products Metformin and Diloxanide Furoate. The company's customer concentration continues to remain high with top 10 customers contributing ~62% of total sales in FY24 and ~70% in 9MFY25.

Susceptibility of operating margins to volatile raw material prices and foreign exchange rates

The key raw materials are procured from imports and domestic market, prices of which are volatile in nature. Since raw material is the major cost driver for the company, upward movement in raw material prices, with limited increase in finished products prices in an intensely competitive industry may result in adverse performance of the company. SOL imports ~40% of its raw material from China and exports its products to several countries, such as Pakistan, Thailand, and Argentina among others, with no long-term contracts with its customers. In the absence of a hedging mechanism, although being a net exporter, the company is exposed to foreign currency fluctuation risk owing to timing differences.

Exposure to regulatory risk

The pharmaceutical industry is highly regulated and requires approvals, licenses, registrations, and permissions for business activities. Each authority has its own requirement, and they could delay or refuse grant approval, even when a product has already been approved in another country. The approval process for a new product registration is complex, lengthy, and expensive. Delays or failures in getting approval for a new product launch could adversely affect the company's business prospects. The company's ability to continue observing regulatory and CGMP standards without receiving adverse observations from regulatory authorities remains critical from a business and credit risk perspective. The company has substantial level of imports from China and exports to Pakistan. Hence, geopolitical issues with such countries could materially impact the company's operations.

Liquidity: Adequate

The company has adequate liquidity position characterized by sufficient cushion between net cash accruals against scheduled debt repayment obligations. With a gearing of 0.24x as on March 31, 2025, the company has sufficient headroom to raise additional debt. Its unutilized bank lines are adequate to meet its incremental working capital needs over the next one year as bank limits are utilized to the extent of ~30% in the 12 months ended July 31, 2025.

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

SOL was established in 1989 by Purushotham Eaga (Managing Director) and is headquartered at Solapur, Maharashtra. Purushotham Eaga and his son, Swapnil Eaga, manages the company's overall operations. The company is engaged in manufacturing and marketing APIs and intermediates. The product portfolio of the company consists of APIs and intermediates, including Metformin, Diloxanide Furoate, Norfloxacin, Telmisartan, Amlodipine, and Potassium Losartan among others.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	127.65	126.04	19.08
PBILDT	11.96	12.20	0.32
PAT	3.59	3.56	-1.10
Overall gearing (times)	0.17	0.24	NA
Interest coverage (times)	8.56	6.52	NM

A: Audited UA: Unaudited NA: Not available NM: Not meaningful; 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-Term Loan		-	-	31/08/2029	11.00	CARE BBB-; Stable
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	15.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-BG/LC		-	-	-	7.00	CARE A3

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/ ST-CC/Packing Credit	LT/ST	15.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB; Negative / CARE A3+ (17-Mar-25) 2)CARE BBB; Negative / CARE A3+ (06-Aug-24)	1)CARE BBB; Stable / CARE A3+ (13-Feb-24)	1)CARE BBB; Stable (13-Mar-23)
2	Non-fund-based - ST-BG/LC	ST	7.00	CARE A3	-	1)CARE A3+ (17-Mar-25) 2)CARE A3+ (06-Aug-24)	1)CARE A3+ (13-Feb-24)	1)CARE A3+ (13-Mar-23)
3	Fund-based - LT-Term Loan	LT	11.00	CARE BBB-; Stable	-	1)CARE BBB; Negative (17-Mar-25) 2)CARE BBB; Negative	1)CARE BBB; Stable (13-Feb-24)	-

						(06-Aug-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-Term Loan	Simple
2	Fund-based - LT/ ST-CC/Packing Credit	Simple
3	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.

Contact us

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