

## Hetero Drugs Limited

September 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	625.00 (Reduced from 650.00)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	250.00	CARE A+; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Hetero Drugs Limited (HDL) continue to derive strength from it being part of the Hetero group, its experienced promoters and management team with a long track record in the pharmaceutical industry, the group's well-established position in multiple therapeutic segments, and its presence in major regulated markets. The Hetero group has well-diversified revenue profile with vertically integrated operations, accredited manufacturing facilities with well-equipped research and development (R&D) facilities, and well-established marketing network. HDL acts as backward integrated unit for Hetero Labs Limited (HLL; flagship company of the Hetero group), and thus, derives significant revenue (~32% in FY25) by selling active pharmaceutical ingredients (APIs) to them. Ratings are underpinned by HDL's strong product portfolio spread across multiple therapeutic segments and reputed clientele, continuous filing of drug master files (DMF), integrated operations. Ratings also factor comfortable capital structure and debt coverage indicators of the company with strong cash accruals. However, ratings are constrained by elongated operating cycle, foreign exchange fluctuation risk, and highly fragmented industry with regulatory risk inherent in the pharmaceutical industry.

CARE Ratings Limited (CareEdge Ratings) also notes the sale of wind power entities of the Hetero group (associate companies of HDL) in Q4FY25, through which HDL received ~₹275 crore. This transaction significantly enhanced the company's overall liquidity and reduced its exposure to associate companies.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations by ~10% to 15% while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 15% consistently.
- Maintaining operating cycle days consistently below 150 days.

#### Negative factors

- Overall gearing going beyond 0.60x on a sustained basis.
- Investments in associate companies beyond 20% of the net worth.
- Decline in revenue and/or profitability below the current levels on a sustained basis.

### Analytical approach:

Consolidated, factoring linkages with the Hetero group. CareEdge Ratings in its analysis has considered consolidated business and financial risk profiles of HDL and its subsidiaries, as these entities are linked through a parent-subsidiary relationship and collectively have common management and financial linkages. Consolidated entities have been listed under Annexure 6.

### Outlook: Stable

A stable outlook reflects that the rated entity is likely to maintain its established market position and improve its overall operational performance in the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Established track record and experienced promoter and management

Hetero is one of the major pharmaceutical groups in India, engaged in the development and manufacturing of APIs, intermediate chemicals, and finished dosages. The group has a portfolio of over 900 drugs spread across therapeutic segments. The group has

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

a presence in over 140 countries and has over 38 manufacturing units for pharmaceuticals products. The group was established by Dr B Parthasaradhi Reddy in 1993, who has over three decades of experience in the Indian pharmaceutical industry. The company has been growing over the years, adding numerous API products to its portfolio. The company's overall management is looked after by promoters and is supported by experienced and professional management team with a long track record in the pharmaceutical industry.

### **Strong product portfolio spread across multiple therapeutic segments**

HDL has a strong product portfolio of over 120 products in APIs. Sertraline, an antidepressant API, contributed highest revenue, ~9% of revenue FY24 and FY25. Top 10 products have contributed ~52% of the revenue in FY25 (PY: 50%). HDL has a presence across over 40 therapeutic segments with majority contribution from segments such as anti-depressant, anti-hypertensive, and anti-ulcer. Revenue from top five therapeutic segments in FY25 stands at ~50% against ~46% in FY24.

### **Reputed and diversified clientele base**

HDL has a diversified client base for APIs, including most of the major pharmaceutical players in India, the US, and European countries. In FY25, HLL (31.8%), Sumitomo Pharma Co. Limited (8.5%), Annora Pharma Private Limited (3.2%), Invagen Pharmaceuticals Inc (Cipla group company 3.0%) and Novartis Pharma AG (2.4%) continued to be major revenue contributors. Revenue from top five clients stood at 49.4% in FY25 against 49.0% in FY24. The company also supplies to other reputed pharma players such as Alkem Laboratories Limited (rated 'CARE AA+; Stable/ CARE A1+'), Cipla Limited (rated 'CARE AAA; Stable/ CARE A1+'), Lupin Limited, Sandoz AG among others. In FY25, domestic revenue was ~61%, while exports contributed remaining 39%.

### **Improvement in scale of operations in FY25**

In FY25, the company's total operating income (TOI) increased by ~11.3% to ₹3,297 crore, compared to ₹2,926 crore in FY24. This growth was primarily driven by increased demand for existing products. In comparison, the company had reported a revenue of ₹3,235 crore in FY23, which declined in FY24 mainly due to a sharp reduction in sales of the API Ritonavir, an ingredient used in COVID-19 formulations that had contributed ~₹711 crore to the revenue in FY23. Excluding the impact of Ritonavir, the company's overall turnover improved consistently from FY23-FY25. The PBILDT margin remained stable at 9.99% in FY25, against 9.98% in FY24.

For Q1FY26, HDL reported a revenue of ₹774 crore. The company has filed drug master files (DMFs) for several products in key regulated markets, including the US, Canada, and Europe, which is expected to support future growth. As on June 2025, the company has successfully filed over 130 DMFs.

### **Comfortable capital structure and improvement in liquidity in FY25**

HDL's capital structure remained comfortable, with overall gearing improving to 0.22x as of March 31, 2025, compared to 0.30x as of March 31, 2024. Other debt coverage metrics also showed improvement; total debt to gross cash accruals (GCA) decreased to 2.25x (PY: 3.48x) due to a reduction in total debt in FY25 and an increase in GCA. The interest coverage ratio (PBILDT/interest) stood at 5.08x as of March 31, 2025, slightly lower than the previous year's 5.38x. The company's total debt primarily comprises term loans, working capital borrowings, and lease liabilities. CareEdge Ratings expects the company's debt coverage indicators to remain comfortable, supported by strong cash accruals going forward. In Q4FY25, HDL received ~₹275 crore from the sale of wind power entities of the Hetero group (associate companies of HDL), which enhanced overall liquidity and reduced HDL's exposure to associate companies significantly. Exposure to group companies has come down significantly from ~₹393 crore as on March 31, 2024, to ~₹134 crore as on March 31, 2025.

### **Key weaknesses**

#### **Elongated operating cycle**

In FY25, the company's operating cycle stood at 184 days, compared to 180 days in the previous year. Average collection period increased to 125 days (PY: 113 days), while the average inventory period improved to 136 days (PY: 152 days). The longer collection period is primarily attributable to the extended credit terms offered to customers, particularly to maintain strong relationships with overseas clients, who accounted for 39% of HDL's total revenue in FY25. Despite the extended collection period, the risk of default is largely mitigated by the healthy credit profiles of the company's clients. The longer collection period is partially offset by credit terms extended by suppliers, with the remaining working capital requirements met through the company's credit facilities. Average working capital utilisation for 12 months ending July 2025 stood at ~68%.

#### **Exposure to regulatory risk**

HDL faces regulatory risks due to its focus on manufacturing APIs, a sector heavily regulated globally. Approval for new product registrations is complex, time-consuming (six months to several years), and costly. Delays or failures in approvals can impact

business prospects. Given India's major role in the US generic drug market, the USFDA has intensified scrutiny of Indian pharma companies. Non-compliance may lead to product bans, import alerts, and hinder future approvals. Regulatory compliance is critical for HDL's growth in markets such as the US and the UK. Notably, the USFDA inspected HDL's Unit I in May 2025 with no critical observations.

### Liquidity: Strong

The company's liquidity profile remains robust, supported by gross cash accruals (GCA) of ~₹244 crore in FY25. The interest coverage ratio (PBILDT/Interest) stood at a comfortable 5.08x in the same period. In Q4FY25, HDL received ~₹275 crore from the sale of wind power entities of the Hetero group (associate companies of HDL), which significantly enhanced overall liquidity and reduced the company's exposure to associate entities. Consequently, average monthly utilisation of working capital limits declined from ~80% in December 2024 to ~50% in July 2025. As of March 31, 2025, the company held cash and liquid investments totalling ~₹36 crore. For FY25, the company had a term debt obligation of ₹50 crore, of which ~₹12.50 crore had been repaid by August 31, 2025. Given the cash accruals generated in FY25 and anticipated accruals in FY26, the company is well-positioned to comfortably meet its debt obligations.

**Assumptions/Covenants:** Not applicable

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

### Applicable criteria

- [Consolidation](#)
- [Definition of Default](#)
- [Factoring Linkages Parent Sub JV Group](#)
- [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

Incorporated in 1993, HDL is part of the Hetero group. It is promoted by Dr B. Parthasaradhi Reddy, Chairman and Managing Director of the company. HDL is a pharmaceutical company, primarily engaged in manufacturing APIs. HDL was initially incorporated as a private limited company, and subsequently, converted into public limited company in 1996. The Hetero group is one of the major pharmaceutical groups in India. HDL is a closely held company, with entire 100% shareholding being held by promoters and associates. HDL has three manufacturing units and one R&D unit, in Telangana and Andhra Pradesh. Its manufacturing facilities have been approved by the USFDA, WHO-Geneva, Spanish Agency of Medicines & Healthcare products, ANVISA-Brazil, and IDA-Netherlands among others.

Brief Financials (₹ crore) - Consolidated	March 31, 2024 (A)	March 31, 2025 (UA)	Q1FY26 (UA)
Total operating income	2926.49	3297.01	773.80
PBILDT	292.15	329.29	62.00
PAT	128.30	155.85	42.00
Overall gearing (times)	0.30	0.22	NA
Interest coverage (times)	5.38	5.08	

A: Audited, UA: Unaudited, NA: Not available; 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	-	-	-	-	500.00	CARE A+; Stable
Fund-based - LT-Term Loan	-	-	-	30-09-2027	125.00	CARE A+; Stable
Fund-based - LT/ ST-Working Capital Demand loan	-	-	-	-	50.00	CARE A+; Stable /CARE A1
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	200.00	CARE A+; Stable /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	Fund-based - LT-Cash Credit	LT	500.00	CARE A+; Stable	-	1)CARE A+; Stable (13-Jan-25)	1)CARE A+; Stable (02-Jan-24) 2)CARE A+; Stable (07-Jul-23)	1)CARE A+; Stable (24-Jan-23) 2)CARE A+; Stable (10-Jan-23) 3)CARE A+ (RWD) (27-Dec-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	200.00	CARE A+; Stable / CARE A1	-	1)CARE A+; Stable / CARE A1 (13-Jan-25)	1)CARE A+; Stable / CARE A1 (02-Jan-24) 2)CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (24-Jan-23) 2)CARE A+; Stable / CARE A1 (10-Jan-23)

							(07-Jul-23)	3)CARE A+ / CARE A1 (RWD) (27-Dec-22)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (10-Jan-23) 2)CARE A+ (RWD) (27-Dec-22)
4	Fund-based - LT/ST-Working Capital Demand loan	LT/ST	50.00	CARE A+; Stable / CARE A1	-	1)CARE A+; Stable / CARE A1 (13-Jan-25)	1)CARE A+; Stable / CARE A1 (02-Jan-24) 2)CARE A+; Stable / CARE A1 (07-Jul-23)	1)CARE A+; Stable / CARE A1 (24-Jan-23) 2)CARE A+; Stable / CARE A1 (10-Jan-23)
5	Fund-based - LT-Term Loan	LT	125.00	CARE A+; Stable	-	1)CARE A+; Stable (13-Jan-25)	1)CARE A+; Stable (02-Jan-24)	-

LT: Long 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/ ST-Working Capital Demand loan	Simple
4	Non-fund-based - LT/ 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	Vibhavari Industries Limited	Full	Subsidiary
2	Valary Lab Private Limited	Full	Subsidiary
3	Asphar Research Labs Private Limited	Full	Subsidiary
4	Sri Sai Ashirwaad Enterprises Private Limited	Proportionate	Associate
5	Hetero Europe SL, Spain	Proportionate	Associate
6	Hetero USA Inc., USA	Proportionate	Associate
7	Pharmed Healthcare company SAE, Egypt	Proportionate	Joint Venture

**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

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Pulkit Agarwal Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3505 E-mail: <a href="mailto:pulkit.agarwal@careedge.in">pulkit.agarwal@careedge.in</a></p> <p>Naveen Kumar Dhondy Associate Director <b>CARE Ratings Limited</b> Phone: +91-40-4010 2030 E-mail: <a href="mailto:dnaveen.kumar@careedge.in">dnaveen.kumar@careedge.in</a></p> <p>Shiva Loya Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Shiva.Loya@careedge.in">Shiva.Loya@careedge.in</a></p>
--	--

### About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: [www.careratings.com](http://www.careratings.com)

### Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to [https://www.careratings.com/privacy\\_policy](https://www.careratings.com/privacy_policy)

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CARE Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CARE Ratings.

**For detailed Rating Report and subscription information,  
please visit [www.careratings.com](http://www.careratings.com)**