Fermenta Biotech Limited

October 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	118.94 (Reduced from 128.17)	CARE BBB; Stable	Upgraded from CARE BBB-; Stable
Short-term bank facilities	6.25	CARE A3+	Upgraded from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in the rating assigned to bank facilities of Fermenta Biotech Limited (FBL) considers the sustained improvement in the company's revenue and profitability in FY25 (refers to April 01 to March 31) and Q1FY26 on the back of recovery in sales volume and realisations for its drugs division and CARE Ratings Limited's (CareEdge Ratings') expectations of steady performance over the coming quarters. Ratings upgrade also factors in the continued improvement in FBL's capital structure and debt coverage metrics following the planned reduction in debt by ~₹110 crore over the last two years, partly funded by monetisation of non-core assets. The company's performance remained muted in FY23 and FY24 partly due to lower off-take in Vitamin D3 products for human consumption due to high channel inventory following the demand spike in the pandemic and partly due to a significant moderation in realisations of Vitamin D3 products for animal consumption owing to lower animal feed prices in the market. However, the demand has recovered in FY25 with normalisation of channel inventory in Vitamin D3 products for human consumption, relative stability in realisations in Vitamin D3 products for animal consumption and increased realisation of Vitamin D3 products for human consumption. This has translated into a sustained improvement in FBL's revenue and profitability over the last five quarters as reflected in ~60% YoY growth in revenue to ₹420.28 crore in FY25 and recover in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin to 15.77% in FY25 (PY: -16.9%). The trend continued in Q1FY26 with revenue growth of ~82% YoY and PBILDT margin of 21.8%. The rising health awareness of Vitamin D3 (FBL's core product) is likely to support FBL's medium-term growth. CareEdge Ratings also notes that FBL's net profit over FY23-FY24 was majorly supported by profit from sale of non-core assets and investment properties of ~₹111 crore. The improvement in net profitability in FY25 is expected to sustain in near-to-medium term with net profit margin in the range of 8%-10% over the said period.

Ratings continue to derive strength from FBL's established market position as a leading producer of Vitamin D3 in India, its long track record of operations, backward integrated business model, and established relations with key customers and suppliers. Ratings also consider FBL's adequate capital structure and liquidity position. However, ratings remain constrained by FBL's exposure to product concentration risk and volatility in market prices of its products. The company's working capital cycle continues to remain elongated considering high receivables and inventory period. The company also remains exposed to regulatory risks emanating from strict compliance requirements and requirement of approvals and regular audits from regulatory bodies.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in total operating income (TOI) from drugs division while maintaining PBILDT margin above 15%.
- Maintenance of healthy debt coverage metrics and liquidity position on a sustained basis.

Negative factors

- Downturn in performance of bulk drug division with declining sales and PBILDT margin.
- Deterioration in total debt/PBILDT above 2.5x on a sustained basis.
- Any significant debt-funded capex or acquisition adversely impacting the company's financial risk profile.

Analytical approach: Consolidated

While arriving at ratings, CareEdge Ratings has considered the consolidated financial statements of FBL and its subsidiaries, step-down subsidiary, and associate, as listed in Annexure-6, owing to the significant operational, managerial, and financial linkages among them.

Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectations that FBL will maintain adequate debt coverage metrics while benefitting from its leading market position, long-standing customer relationship, and steady demand prospects.

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

Detailed description of key rating drivers:

Key strengths

Revival in performance; expected to sustain in near-to-medium term

The rising health cognisance, increasing deficiency of Vitamin D, and increasing adoption of online purchase of health products is expected to drive the demand for FBL's core product (Vitamin D3 API) in coming years. FBL has recorded 60% revenue growth in FY25 with TOI improved at ₹420.28 crore (FY24: ₹263.01 crore), driven by increase in sales from Vitamin D3 segment (for human consumption), which contributed 60% towards the total sales in FY25 (FY24: 65%). The sales from Vitamin D3 for animal consumption contributed ~16% (8%), speciality active pharmaceutical ingredients (APIs) at 10% (13%) followed by other nutraceuticals. The sales improvement is driven by volumes and rising realisations. Considering FBL's presence in backward integration (making cholesterol from wool grease) and its leading position in the market in Vitamin D3 segment ensuring better position in terms of pricing, the performance is likely to sustain.

Reputed clientele with presence in domestic and export markets

The company's clientele continues to comprise well-established and reputed players from pharmaceutical industry and fast-moving consumer goods (FMCG) companies. The top five customer concentration risk is low with revenue from top five customers accounting for ~33% of total revenue in FY25 (PY: 32%). The company is geographically diversified with ~63% of sales contributed from international market and 37% from domestic market in FY25. In the international market, the geographical diversification appears healthy with Europe accounting for ~28% of revenue in FY25 (FY24: 22%) and US ~18% (14%). Considering limited exposure towards US market and pharmaceutical products being exempt from additional tariffs, FBL's operations are unlikely to be materially impacted.

Adequate capital structure and coverage indicators

The company's total debt comprises working capital facilities, term loans, and lease liabilities. FBL has successively reduced its outstanding borrowings by ~₹110 crore over the last three years majorly funded by proceeds from sale of non-core assets and investment properties translating into improvement in its capital structure. Overall gearing of the company continues to remain below unity at 0.33x as on March 31, 2025 (as on March 31, 2024: 0.51x). With improved operating margin, the interest coverage stood improved to 4.45x in FY25 (FY24: negative due to earnings before interest, taxation, depreciation, and amortisation [EBITDA] loss). With no significant capex plan, the company's financial risk profile is expected to sustain and remains a key monitorable.

Established track record in the pharmaceutical industry and strong research and development capabilities

FBL has an established track record of over three decades in the pharmaceutical business with key focus on Vitamin D3 API segment. Over the years, it has been able to prove its expertise in this segment and has regularly added capacities to cater to this segment. To support and manage the overall operations, the senior management is supported by well-qualified and experienced second-tier management in a well-defined organisational structure. The company has also developed an in-house research and development (R&D) team to improve process and product technologies to have competitive edge in the industry.

Key weaknesses

Working capital intensive nature of operations

FBL's business remains working capital intensive since it carries significant inventory for products under manufacturing at different stages of production, maintained at two factories. The inventory is maintained both to cater to increasing demand and to ensure continuity of operations. Moreover, it also stores finished goods inventory at its marketing subsidiary in the US. The working capital cycle remains elongated at 113 days in FY25 (PY: 145 days). The credit period extended by the company to its customers is in the range of 60-90 days. Any sizeable build-up of inventory could put pressure on the company's liquidity position and expose it to the risks of inventory write downs.

Margins susceptible to volatility of commodity prices and competition from China under feed grade segment

The Vitamin D3 demand is derived from five segments which are from pharmaceutical, dietary nutritional and supplements (DNS), cold water dispenser (food industry), veterinary, and animal feed (feed grade and oil). Of the same, animal feed is a commoditised segment where no stringent pharmaceutical guidelines apply. The demand in animal feed is majorly derived from export markets. China is the major supplier in animal feed grade segment, and the industry is characterised with intense competition and volatile commodity prices. However, the said risk is mitigated to some extent given that only 16% of revenue contribution is from animal feed segment in the TOI (excluding other income) on standalone basis in FY25 (FY24: 8%).

Expose to regulatory risk

The pharmaceutical industry is highly regulated worldwide through its direct bearing on public health. The company's facilities and operations require multiple approvals from regulatory bodies, including USFDA, EU-GMP, and FSSC, among others. Any observation from such authorities on FBL's manufacturing facilities could impact the marketability of its products and undermine the company's creditability. Moreover, tightening of regulations could entail significant capex which could impact its financial risk profile. However, the risk is mitigated to an extent by the company's established track record in the industry.

Liquidity: Adequate

The liquidity remains adequate with projected gross cash accruals in the range of ₹60-80 crore p.a. over the next 1-2 years against scheduled debt repayment obligations of ₹10-14 crore p.a. (incl. lease liabilities). The company's gross cash accrual stood at ₹94.30 crore in FY25 (FY24: ₹0.71 crore), partly supported by sizeable non-operating income in the form of profit from sale of non-core assets. The company had sizeable free cash and bank balances of ~₹70 crore as on March 31, 2025, which provides additional liquidity buffer. The average utilisation of fund-based working capital limits stood moderate at 86% in the last 12 months ended July 31, 2025.

Assumptions/Covenants: Not applicable

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

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 and Biotechnology	Pharmaceuticals

Incorporated in 1951 by Dr. DVK Raju, FBL (erstwhile DIL Limited) is engaged in developing and manufacturing pharmaceuticals, biotechnology, and environmental solutions used across industries. FBL primarily manufactures a range of Vitamin D3 variants for human and animal feed products, which have applications across pharmaceuticals, dietary and nutritional supplements, food and beverage fortification, animal feed, veterinary, and rodenticides. The company is also involved in manufacturing APIs for muscle relaxant and anti-flatulent applications. FBL's equity shares are listed on the Bombay Stock Exchange (BSE).

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	263.00	420.28	138.12
PBILDT	-44.45	66.26	30.10
PAT	-24.01	76.40	21.60
Overall gearing (times)	0.51	0.33	NA
Interest coverage (times)	-2.55	4.45	9.68

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Brief Financials (₹ crore) (Standalone)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	234.41	381.32	120.93
PBILDT	-35.02	56.50	26.75
PAT	-18.74	67.62	16.24
Overall gearing (times)	0.46	0.31	NA
Interest coverage (times)	-2.01	3.81	8.61

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	-	-	-	-	99.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	18-01-2028	19.94	CARE BBB; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	6.25	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-Cash Credit	LT	99.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (25-Feb-25) 2)CARE BBB-; Negative (04-Apr-24)	1)CARE BBB; Negative (17-Nov-23) 2)CARE BBB+; Negative (07-Apr-23)	1)CARE A-; Stable (09-May-22) 2)CARE A-; Stable (04-Apr-22)
2	Non-fund-based - ST-BG/LC	ST	6.25	CARE A3+	-	1)CARE A3 (25-Feb-25)	1)CARE A3 (17-Nov-23)	1)CARE A2 (09-May-22)

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
						2)CARE A3 (04-Apr-24)	2)CARE A3+ (07-Apr-23)	2)CARE A2 (04-Apr-22)
3	Fund-based - LT-Term Loan	LT	19.94	CARE BBB; Stable	-	1)CARE BBB-; Stable (25-Feb-25) 2)CARE BBB-; Negative (04-Apr-24)	1)CARE BBB; Negative (17-Nov-23) 2)CARE BBB+; Negative (07-Apr-23)	1)CARE A-; Stable (09-May-22) 2)CARE A-; Stable (04-Apr-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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	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	Fermenta Biotech Gmbh	Full	Wholly owned Subsidiary
2	Fermenta Biotech (UK) Limited	Full	Wholly owned Subsidiary
3	Fermenta Biotech USA LLC	Full	Wholly owned Subsidiary
4	Fermenta USA LLC	Full	Step down Subsidiary
5	Health and Wellness India Private Limited	Moderate	Associate

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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