CareEdge RATINGS

Fermenta Biotech Limited

August 20, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	166.73 (Enhanced from 118.94)	CARE BBB+; Stable	Upgraded from CARE BBB; Stable
Short-term bank facilities	RBI	6.25	CARE A2	Upgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Upgrade in ratings consider significant growth in Fermenta Biotech Limited's (FBL's) scale of operations and profitability in FY26 (refers to April 01 to March 31) and Q1 FY27, led by sustained recovery in demand for Vitamin D3 active pharmaceutical ingredient (API) for human nutrition, translating to improvement in the company's capital structure and coverage metrics and CARE Ratings Limited's (CareEdge Ratings') expectations of sustained performance in coming years considering its established market position in the Vitamin D3 API industry and scale-up of revenue from new products. FBL's revenue from operations grew by ~26% year-over-year (y-o-y) to ₹528 crore (excluding revenue from real estate division) in FY26 led by ~21% y-o-y growth in sales volume for Vitamin D3 API for human nutrition, which accounts for 50-60% of revenue. FBL's revenue growth in FY26 was also supported by favourable industry price trend for Vitamin D3 API for animal nutrition in H1 FY26 and growing contribution from green chemistry product segment. The market for Vitamin D3 API for animal nutrition remains volatile, with current prices relatively muted. The company continues to maintain healthy profitability with profit before interest, lease rental, depreciation and taxation (PBILDT) margin improving to 19.55% in FY26 translating into healthy cash accruals. FBL's financial risk profile has recorded successive improvement in the last three years owing to recovery in profitability and reduction in debt, partly funded by monetisation of non-core real estate assets. CARE Ratings Limited (CareEdge Ratings) expects FBL's revenue growth to remain supported by demand tailwinds for the human nutrition segment and scale-up of new products including enzymes, while maintaining sustained profitability.

CareEdge Ratings also notes the FBL was granted a process patent by the Indian Patents Office in September 2025 for its plant-sourced Vitamin D molecule (brand name 'VITADEE Green') and further received approval from Food Safety and Standards Authority of India (FSSAI) in July 2026 for use in healthy supplements, nutraceuticals and food products. The new product is expected to open new avenues for business growth over the medium term. The company also plans to incur capex of ~₹67 crore towards development of incremental capacities for this product from FY27-28, partly funded by debt.

Ratings continue to draw strength from FBL's long track record of operations, backward-integrated business model, and long-standing relationships with reputed customers, which provide stability and support business growth. FBL's strategic diversification into plant-based vitamin D products is expected to strengthen its market presence, broaden its customer base, and support revenue growth and profitability in the medium term. The rating upgrade further factors in FBL's sustained strong financial risk profile, as reflected by its comfortable debt metrics and healthy coverage indicators, supported by robust accrual generation and a low leveraged capital structure. Ratings also continue to draw support from FBL's adequate liquidity position, characterised by strong cash flow from operations and sizeable liquidity reserves. 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 growth in revenue from operations while maintaining PBILDT margin above 18% translating into healthy cash accruals.
- Improvement in business risk profile driven by better product diversification of revenue.

Negative factors

- Significant deterioration in revenue and/or profitability putting pressure on cash accruals and liquidity position.
- Deterioration in total debt/PBILDT above 2.5x on a sustained basis.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

- Elongation in operating cycle above 160 days on a sustained basis.

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 under Annexure-5, 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

Detailed description of key rating drivers

Key strengths

Sustained revenue growth and profitability in FY26; expected to continue

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 reported strong revenue growth of ~26% y-o-y in FY26 driven by ~21% y-o-y growth in sales volumes of Vitamin D3 API for human nutrition and 49% y-o-y growth in sales volume of Vitamin D3 API for animal nutrition majorly driven by better market conditions in H1 FY26. While Vitamin D3 continues to account for over 70% of FBL's revenue, its topline growth in FY26 was also supported by scale-up of other product segments including enzymes and other green chemistry molecules. FBL's PBILDT margin improved by ~380 bps y-o-y to 19.55% in FY26 translating into healthy accruals. FBL's performance in Q1FY27 remained largely stable with reported revenue of ~₹124 crore, steady quarter-over-quarter and down by ~12% y-o-y, due to weak market conditions for Vitamin D3 for animal nutrition, with sustained profitability. CareEdge Ratings expects FBL's strong market position in Vitamin D3 API segment to continue to support revenue growth even as the company aims to diversify its product portfolio through addition and scale-up of new products in the medium term.

Comfortable capital structure and debt coverage metrics

FBL's capital structure remains comfortable as reflected by its improvement in overall gearing and total outside liabilities to tangible net worth (TOL/TNW) to 0.29x and 0.63x, respectively, as on March 31, 2026 (PY: 0.33x and 0.73x, respectively) indicating limited reliance on external funds in the light of strong cash flows from operations. Its capital structure improved significantly in the last three years compared to overall gearing and TOL/TNW of 0.79x and 1.24x, respectively, as on March 31, 2023, as the company prepaid a sizeable portion of its debt through planned monetisation of non-core real estate assets. FBL's debt coverage metrics also remain structure with PBILDT interest cover and total debt/PBILDT at 8.15x and 1.11x, respectively, in FY26 (PY: 4.45x and 1.76x, respectively). While the company plans to incur capex towards building up manufacturing capacities for plant-based vitamin D3, partly funded by debt, the financial risk profile is expected to remain comfortable.

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. Top five customer concentration risk is low with the revenue accounting for ~39% of total revenue in FY26 (PY: 30%). The company is geographically diversified with ~61% of sales contributed from international market and 39% from domestic market in FY26. In the international market, geographical diversification appears healthy with Europe accounting for ~30% of revenue in FY26 (FY24: 27%) and North America contributing ~13% (FY24: 17%).

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 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. It also stores finished goods inventory at its marketing subsidiary in the US. The working capital cycle remains elongated at 132 days in FY26 (PY: 113 days). The credit period extended by the company to its long-term customers, in the range of 60-90 days. Sizeable build-up of inventory could put pressure on the company's liquidity position and expose it to 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 this, 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, this risk is mitigated to some extent given that only 21% of revenue contribution is from animal feed segment in the TOI (excluding other income) on consolidated basis in FY26 (FY25: 20%; FY24: 15%).

Exposure 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. Tightening 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 company's liquidity position remains adequate with projected cash accruals of ₹80–100 crore annually in the near-to-medium term against debt repayment obligations of ₹10–11 crore (including lease liabilities) per annum and maintenance capex of ₹15-20 crore pa. The company maintained a robust liquidity buffer with free cash and liquid investments of ~₹90 crore as on March 31, 2026, while average utilisation of working capital limits remained relatively moderate at 86% foe 12 months ended May 31, 2026. The company plans to incur growth capex of ~₹67 crore from FY27-28, partly financed by debt of ~₹53 crore. Its current ratio remained healthy at 1.84x as on March 31, 2026.

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) and National Stock Exchange (NSE).

Brief Financials (₹ crore) Consolidated	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	420.28	527.64	124.21
PBILDT*	66.27	103.17	20.44
Profit after tax (PAT)	76.41	70.25	9.53
Overall gearing (x)	0.33	0.29	NA
Interest coverage (x)	4.45	8.15	8.05

A: Audited UA: Unaudited; NA: Not available; Note: these are latest financial results available
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Brief Financials (₹ crore) Standalone	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27(UA)
Total operating income	381.32	452.36	114.75
PBILDT*	56.50	93.80	25.89
Profit after tax (PAT)	67.62	64.28	14.99
Overall gearing (x)	0.31	0.28	NA
Interest coverage (x)	3.81	7.58	10.19

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-	-	-	-	99.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	RBI	Simple	-	-	-	18-01-2028	67.73	CARE BBB+; Stable
Non-fund-based - ST-BG/LC	RBI	Simple	-	-	-	-	6.25	CARE A2

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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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	99.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (01-Oct-25)	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)
2	Non-fund-based - ST-BG/LC	ST	6.25	CARE A2	-	1)CARE A3+ (01-Oct-25)	1)CARE A3 (25-Feb-25) 2)CARE A3 (04-Apr-24)	1)CARE A3 (17-Nov-23) 2)CARE A3+ (07-Apr-23)
3	Fund-based - LT-Term Loan	LT	67.73	CARE BBB+; Stable	-	1)CARE BBB; Stable (01-Oct-25)	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)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

Annexure-5: 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 Environment Solutions Private Limited	Full	Wholly owned Subsidiary
5	Fermenta USA LLC	Full	Step-down Subsidiary
6	Health and Wellness India Private Limited#	Moderate	Associate

#The company is under the process of liquidation
Source: FY26 annual report

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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