May 08, 2025

Biodeal Pharmaceuticals Limited: [ICRA]BBB- (Stable)/ [ICRA]A3; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Fund-based limits – Cash Credit	29.43	[ICRA]BBB- (Stable)/[ICRA]A3; assigned
Long-term/ Short-term – Interchangeable limits^	(10.00)	[ICRA]BBB- (Stable)/[ICRA]A3; assigned
Long-term – Proposed	55.57	[ICRA]BBB- (Stable); assigned
Long-term – Unallocated	110.00	[ICRA]BBB- (Stable); assigned
Total	**195.00**	

**Instrument details are provided in Annexure-I; ^BG – sub-limits of CC limits*

Rationale

The ratings assigned to Biodeal Pharmaceuticals Limited (BPL) factor in its established operational track record and the extensive experience of its promoter in the pharmaceutical contract manufacturing industry. Over the years, BPL has developed a wide product range across pharmaceuticals, nutraceuticals, and cosmetics etc. in multiple drug dosage/delivery forms such as nasal sprays, capsules, tablets, ointments, powders, etc. Nasal sprays have remained the key focus segment (accounted for 48% of revenue in FY2024) for the company and have also supported its margin profile. Leveraging on the same, BPL has developed a well-diversified client base, which includes several reputed pharmaceutical companies. Additionally, the company's revenue stream is diversified, given the presence in both domestic and export markets. Through FY2025, BPL has expanded its nasal spray and nutraceuticals capacities and is also in the process of setting up proposed US-FDA/EU approved plant for nasal sprays, which are expected to support product diversification, enhance penetration in the global markets and support its growth momentum over the near-to-medium term. Thus, timely commissioning and ramp-up of capacity utilisation of the new facility will be monitored.

The ratings are, however, constrained by BPL's high working capital intensity due to elevated receivable and inventory levels, moderating its cash flow from operations. Moreover, its scale of operations is moderate, relative to the industry size, constraining economies of scale to some extent. However, BPL is expected to report a healthy revenue growth over the near-to-medium term, aided by capacity expansions, new product launches and a steady increase in export revenues. Further, BPL's profitability is susceptible to any adverse fluctuations in the raw material prices and foreign exchange rates, along with its exposure to inherent regulatory risks for the pharmaceutical industry. In March 2024, the company raised funds of Rs. 110 crore from Piramal Structured Credit Opportunities Fund (Piramal) in the form of optionally convertible debentures (OCDs) for repaying most of its existing debt, funding capex and working capital requirements. This coupled with debt-funded capex for the near term is expected to increase the overall debt level of the company. However, steady improvement in accrual generation on the back of capacity expansion and higher exports are expected to result in rangebound coverage metrics. ICRA notes that there is a put option on the OCDs, which if exercised by the investor, may expose the company to refinancing risk, and would remain a key monitorable.

The Stable outlook on BPL's long-term rating reflects ICRA's opinion that the company will report a healthy growth in revenue and earnings, while maintaining adequate debt protection metrics, supporting its overall credit profile.

Key rating drivers and their description

Credit strengths

BPL's established operational track record and extensive experience of its promoter in the industry – Incorporated in 2005, BPL was acquired by its current promoter, Mr. Anurag Kumar, in 2015. Since its inception, the company has been engaged in contract manufacturing of pharmaceutical products

Client base includes reputed pharmaceutical companies – BPL's clientele includes reputed domestic and international pharmaceutical companies such as Torrent Pharmaceuticals Limited, Intas Pharmaceuticals Limited, Sanofi Consumer Healthcare India Limited, Alkem Laboratories Limited, Zydus Wellness Limited, and Mankind Pharma Limited, among others. Additionally, client concentration remains low with the top ten customers accounting for 25-30% of the revenue in the recent years.

Diversified revenue stream, given the presence in both domestic and export markets – While the company generates the major portion (~80%) of its revenue from the domestic market, the share of exports to semi-regulated markets such as Ukraine, Thailand, the UAE, Nigeria, Moldova and Tanzania, increased over the years to ~20% in FY2024. Additionally, within the domestic market, the company's revenue is generated through contract manufacturing, loan licensing, R&D services and institutional sales to government agencies.

Ongoing capacity expansion to support product diversification and future growth – Through FY2025, BPL has undertaken debt-funded capex towards expansion of its existing nasal spray manufacturing capacities (completed in Q3 FY2025) and setting up a nutraceuticals facility, which is expected to commence commercial operations in Q1 FY2026. Apart from this, the company is in the process of setting up a new block for expanding its nasal spray manufacturing capacity by ~600 lakh units. While recent capacity additions will support revenue growth over FY2026 and FY2027, the new nasal spray block is expected to be commissioned by Q4 FY2027 and drive revenue growth thereafter.

Credit challenges

High working capital intensity – BPL's receivable levels have remained high over the recent years, partly due to elevated payment cycle for exports, which account for ~20% of its revenues. Moreover, the inventory levels have increased in the last two fiscals due to an increase in the product base, higher work-in progress inventory maintained to test microbial growth and larger batches of formulations being manufactured. This led to higher working capital intensity, as reflected by the net working capital/ operating income (NWC/OI) of 50-60% in the last two fiscals, and moderating cash flow from operations. While this is expected to improve gradually on the back of optimisation initiatives being undertaken by the company, its ability to adequately fund its incremental working capital requirements will remain monitorable.

Moderate scale of operations – With an operating income of Rs. 141.8 crore in FY2024 and estimated revenue of Rs. 205-210 crore in FY2025, BPL's scale of operations remains moderate, relative to the size of the industry. This, coupled with intense competition in the business, limits pricing flexibility to an extent, especially in the domestic market. However, recent expansion of capacities and widening product base/ geographical presence are expected to drive the company's growth momentum over the near-to-medium term.

Profit margins exposed to volatility in forex and raw material prices, and any adverse regulatory changes – BPL's profitability is vulnerable to volatility in raw material prices and foreign exchange rates. Moreover, it is exposed to inherent regulatory risks, with respect to its manufactured formulations, inspections of its manufacturing facility carried out by various regulatory agencies and any adverse regulatory changes in its key export markets.

Liquidity position: Adequate

BPL has an adequate liquidity profile, supported by steady accrual generation and undrawn bank lines of ~Rs. 18 crore as on March 31, 2025. BPL is also in the process of incurring debt-funded capex of ~Rs. 65 crore over FY2026 to FY2027 towards setting up a new manufacturing facility for nasal sprays. The capex is expected to be funded through a mix of debt (already sanctioned) and internal accruals. Moreover, the company has debt repayment liabilities of Rs. 20-30 crore p.a. over FY2027 and FY2028, which are expected to be adequately funded from its steady internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company reports a healthy growth in its scale and earnings, while also improving its working capital intensity.

Negative factors – Negative pressure on the ratings would arise in case of the inability of the company to improve its working capital cycle or in case of a considerable increase in debt levels, leading to deterioration of its credit metrics, including Total Debt/OPBDITA of more than 3.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2005, BPL is a contract manufacturer of pharmaceutical formulations for domestic and international companies. Apart from contract manufacturing, the company is involved in selling its own branded formulations, loan licensing and providing R&D services to its customers. The company was acquired by the current promoter, Mr. Anurag Kumar, in 2015. Its manufacturing facility is located in Nalagarh, Himachal Pradesh and is WHO-GMP and PICS[1] certified.

Key financial indicators (audited)

BPL – Standalone	FY2023	FY2024
Operating income	100.5	141.8
PAT	5.8	11.1
OPBDIT/OI	15.4%	19.2%
PAT/OI	5.8%	7.8%
Total outside liabilities/Tangible net worth (times)	1.6	2.8
Total debt/OPBDIT (times)	3.4	5.0
Interest coverage (times)	3.6	3.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

[1] *Pharmaceutical Inspection Co-operation Scheme*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current year (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 08, 2025	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term/ Short Term	29.43	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-	-	-
Interchangeable limits*	Long Term/ Short Term	(10.00)	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-	-	-
Proposed	Long Term	55.57	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Unallocated	Long Term	110.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-

**BG- Sub-limits of Cash Credit*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short-term – Fund-based limits – Cash Credit	Simple
Long term/Short-term – Interchangeable limits*	Simple
Long-term – Proposed	Simple
Long-term – Unallocated	NA

**BG- Sub-limits of Cash Credit*

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here]

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based limits – Cash Credit	-	-	-	29.43	[ICRA]BBB- (Stable)/[ICRA]A3
NA	Interchangeable limits (Bank Guarantee)*	-	-	-	(10.00)	[ICRA]BBB- (Stable)/[ICRA]A3
NA	Proposed Limits	-	-	-	55.57	[ICRA]BBB- (Stable)
NA	Unallocated	-	-	-	110.00	[ICRA]BBB- (Stable)

*Source: Company; *Sublimit of Cash Credit*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – NA

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