

March 13, 2025

## NGL Fine-Chem Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current rated amount (Rs. Crore)	Rating action
Long-term Fund-based Term Loans	120.00	110.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term Fund-based Cash Credit	37.00	45.00	[ICRA]BBB+ (Stable); reaffirmed
Short-term Non-fund-based Letter of Credit	8.00	10.00	[ICRA]A2; reaffirmed
<b>Total</b>	<b>165.00</b>	<b>165.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

For arriving at the ratings of NGL Fine-Chem Limited (NGL), ICRA has taken a consolidated view of the business and financial profiles of NGL and its wholly-owned subsidiary, Macrotech Polychem Private Limited (MPPL), given their strong operational and financial linkages and common management.

The reaffirmation of ratings of NGL factors in the extensive experience of its management in the animal health active pharmaceutical ingredients (API) segment, an established operational track record, a diversified geographical presence in domestic and international markets and a well-established client base over years. NGL has witnessed a healthy improvement in revenue growth of 21.8% (YoY) and 14.3% (YoY) in FY2024 and 9M FY2025, respectively, supported by recovery in demand in key markets and better average realisations. Besides, lower input prices led to an improvement in the operating profit margin (OPM) to 15.9% in FY2024 from 12.6% in FY2023. The profitability, however, has moderated to ~10.1% in 9M FY2025 on account of increasing competition in key markets. Nonetheless, NGL continues to maintain a strong market share for its top three APIs (Diminazene, Clorsulon and Buparvaquone), supported by competitive cost proposition as it is partly backward integrated for basic chemicals. Going forward, the growth is expected to be driven by launch of new products in the pipeline and penetration into new geographies.

The ratings, however, remain constrained by NGL's moderate scale of operations and high working capital intensity of business arising from high receivables and elevated inventory holding cycle. Also, the company's profitability remains susceptible to inherent competition in the industry and subsequent pricing pressure. Given the nature of the short-term contracts, the company's operating profitability remains exposed to the movements in raw materials prices that cannot be passed on to the customers. Further, the entity is exposed to forex movement, however, this risk is largely mitigated by the hedging policy implemented by the company.

ICRA has also noted NGL's ongoing debt-funded capacity expansion at Tarapur (Maharashtra) for its manufacturing capacities, which will enable the company to diversify into different products and venture into regulated markets such as the US and Europe. The total estimated capex has been revised to Rs. ~160 crore (of which Rs. ~95 crore has been incurred as of February 2025), which will be funded through a mix of debt and internal accruals. Despite some moderation over the near term due to this debt-funded capex, the debt coverage metrics and return indicators are expected to remain comfortable. Additionally, the planned capex will enable the company to expand into newer geographies and earn better margins.

The Stable outlook on the long-term rating reflects ICRA's expectation that NGL's financial profile will continue to remain adequate, supported by steady internal accrual generation, comfortable capital structure and adequate liquidity position.

## Key rating drivers and their description

### Credit strengths

**Established operational track record and extensive experience of the promoters in the animal health API industry** – Incorporated in 1981, NGL primarily manufactures veterinary pharmaceutical APIs and intermediates, catering to the antiprotozoal and anthelmintic therapeutic segments. Over the years, the company has developed established relationships with its customers in India and abroad. Further, the company continues to benefit from the extensive experience of its Directors, Mr. Rajesh Lawande and Mr. Rahul Nachane, in the animal health API industry.

**Diversified geographical reach and customer base** – With decades of experience in the pharmaceutical API manufacturing, NGL has developed a strong client base of more than 400 customers globally. NGL derives ~25% of its sales from the domestic market and the remaining from export sales to the semi-regulated markets in Europe, Asia Pacific, West Asia and Latin America. The company's established relationships with its clients resulted in several repeat orders for the company. Additionally, the company is in the process of expanding its capabilities to serve international geographies, specifically regulated markets in the US and Europe.

**Comfortable leverage levels and coverage indicators** – NGL's capital structure is comfortable, supported by steady internal accrual generation and limited debt levels, as reflected by its gearing ratio of 0.1 times and total outside liabilities/ tangible net worth (TOL/TNW) of 0.4 times as on March 31, 2024. Given its healthy operating profitability in FY2024, its coverage metrics improved, with total debt/OPBDITA and DSCR of 0.6 times and 12.6 times, respectively, in FY2024 (0.9 times and 6.7 times in FY2023, respectively). Additionally, the company is undertaking a sizeable capex towards its greenfield expansion at Tarapur (Maharashtra) for the expansion of its manufacturing capacities, enabling it to widen its product base and also venture into regulated markets. The total project outlay is estimated at ~Rs. 160 crore, which would be funded through a mix of debt and internal accruals. The same could result in some moderation in coverage and leverage indicators over the near term owing to part funding of this capex through debt and the gestation period of the project, however, the same are expected to remain comfortable.

### Credit challenges

**Moderate scale of operations** – NGL is a mid-sized API and intermediate manufacturer, with revenues of Rs. 338.7 crore in FY2024. Despite a steady revenue growth over FY2024 and 9M FY2025, NGL's scale of operations remains moderate relative to the industry's size. Moreover, the inherent competition in the unregulated and semi-regulated markets of the industry limits its pricing flexibility, as reflected by the moderation in OPM to 10.1% in 9M FY2025. Nonetheless, growth in the coming years is expected to be supported by penetration into new geographies and expansion of the product line.

**Vulnerability of profitability to volatility in raw material prices and forex rates** – NGL's major raw materials include intermediaries and solvents used in API manufacturing. Given the nature of short-term contracts, the company's operating profitability remains exposed to adverse movements in raw material prices. Further, NGL has a significant exposure in the global market with more than 75% of its revenues coming from exports and ~25% of its raw materials sourced through imports. Nonetheless, the forex risk is partly mitigated by the natural hedge and by booking forward contracts of varying durations.

**High working capital intensity of operations** – NGL's operations have remained working capital intensive on account of high inventory and receivable levels. The company historically has a sizeable work-in-process (WIP) inventory, given the variation in production cycle for basic chemicals that ranges up to eight weeks. Consequently, the working capital intensity, reflected in NWC/OI, remained high at ~30% in FY2024 and is likely to largely remain at similar levels, going forward.

**Significant near-term debt-funded capex; desired level of scale-up remains to be seen** – NGL had planned a sizeable capex for its greenfield expansion at Tarapur (Maharashtra), wherein the total project outlay is estimated at ~Rs. 160 crore, which would be funded through a mix of debt and internal accruals. The company has completed civil construction for the first phase of the project in the current fiscal and the second phase along with requisite trials, and the approvals are expected to be completed by FY2027. NGL has availed a part of the debt for the expansion in FY2025 and will be utilising the rest in FY2026.

This could result in moderation of its debt protection metrics over the near term, however, they are likely to remain comfortable.

## Environmental and social risks

**Environmental considerations:** NGL does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations with regard to the breach of waste and pollution norms, which can lead to an increase in operating costs and new capacity installation costs. This may also require capital investments to upgrade its effluent treatment infrastructure to reduce its carbon footprint and waste generation.

To address the associated environment risks, NGL has taken initiatives to reduce waste generation and energy conservation. The company has converted its flagship plant and Macrotech into zero liquid discharge plant. The entire liquid effluent is recycled and reused within the company. The other plant in Tarapur is small with limited room to expand and install an effluent treatment plant. Therefore, NGL has collaborated with a company that treats the waste for NGL to ensure compliance with Maharashtra Pollution Control Board (MPCB). Also, two of Macrotech’s boilers have been converted into use of PNG and the other two into use of agro waste as fuel. Also 73.22% of total inputs was sourced sustainably.

**Social considerations:** The industry faces social risks related to product safety and its associated litigation risks, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards.

## Liquidity position: Adequate

NGL's liquidity position continues to be adequate, supported by healthy internal accrual generation, cash and investments of Rs. 77.8 crore as on January 31, 2025. Further, the company has sufficient buffer in its working capital lines with an average working capital utilisation of ~40% during the last 12 months ended in January 2025. ICRA notes that the company is undertaking significant debt-funded capex, which is expected to increase its repayment liabilities over the near-to-medium term, however, steady accrual generation is likely to support the same.

## Rating sensitivities

**Positive factors** – ICRA could upgrade NGL’s ratings if the company demonstrates a healthy scale-up in revenues and witnesses considerable improvement in margins, with diversification in its product portfolio while maintaining its strong market position in the existing animal healthcare APIs.

**Negative factors** –NGL’s ratings may be downgraded if there is any significant pressure on its revenues and profitability or any stretch in its liquidity position owing to elongation of the working capital cycle or cost overrun in the ongoing capex programme. Specific credit metrics that could lead to ratings downgrade include Total Debt/OPBITDA exceeding 2.5 times, on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Pharmaceuticals</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of NGL Fine-Chem Limited.

## About the company

Incorporated in 1981 by Mr. Narayan Lawande, NGL is a veterinary API manufacturer and its products are used in the animal healthcare industry. The company is listed on the Bombay Stock Exchange and National Stock Exchange. NGL's all four manufacturing facilities are in Tarapur (Maharashtra) and are good manufacturing practice (GMP)-certified by the Maharashtra State Food and Drug Administration. NGL has a strong and growing international presence in Latin America, Asia and Europe.

NGL acquired a 100% stake in Macrotech Polychem Private Limited (MPPL) in May 2019. MPPL manufactures pharmaceutical intermediates and serves as the backward integrated unit for the company.

### Key financial indicators (audited)

NGL – Consolidated	FY2023	FY2024
Operating income	278.1	338.7
PAT	20.5	41.3
OPBDIT/OI	12.6%	15.9%
PAT/OI	7.4%	12.2%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.9	0.6
Interest coverage (times)	19.1	29.7

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

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Current rating (FY2025)				Chronology of rating history for the past 3 years							
Instrument	Type	Amount rated (Rs. crore)	Mar 13, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	110.00	[ICRA]BBB+ (Stable)	April 01, 2024	[ICRA]BBB+ (Stable)	-	-	Feb 27, 2023	[ICRA]BBB+ (Stable)	Dec 23, 2021	[ICRA]BBB+ (Stable)
								Mar 31, 2023	[ICRA]BBB+ (Stable)		
Working Capital Facility	Long Term	45.00	[ICRA]BBB+ (Stable)	April 01, 2024	[ICRA]BBB+ (Stable)	-	-	Feb 27, 2023	[ICRA]BBB+ (Stable)	Dec 23, 2021	[ICRA]BBB+ (Stable)
								Mar 31, 2023	[ICRA]BBB+ (Stable)		
Letter of Credit	Short Term	10.00	[ICRA]A2	April 01, 2024	[ICRA]A2	-	-	Feb 27, 2023	[ICRA]A2	Dec 23, 2021	[ICRA]A2
								Mar 31, 2023	[ICRA]A2		
Derivative Limits	Short Term	-	-	-	-	-	-	Feb 27, 2023	[ICRA]A2	Dec 23, 2021	[ICRA]A2

Mar 31,  
2023 -

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based Term Loans	Simple
Long-term Fund-based Cash Credit	Simple
Short-term Non-fund-based Letter of Credit	Very Simple

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	Long-term Fund-based Term Loans	FY2018	8.8-9%	FY2026	110.00	[ICRA]BBB+ (Stable)
NA	Long-term Fund-based Cash Credit	NA	NA	NA	45.00	[ICRA]BBB+ (Stable)
NA	Short-term Non-fund-based Letter of Credit	NA	NA	NA	10.00	[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company name	NGL ownership	Consolidation approach
Macrotech Polychem Private Limited	100.00%	Full consolidation

Source: Annual report FY2024

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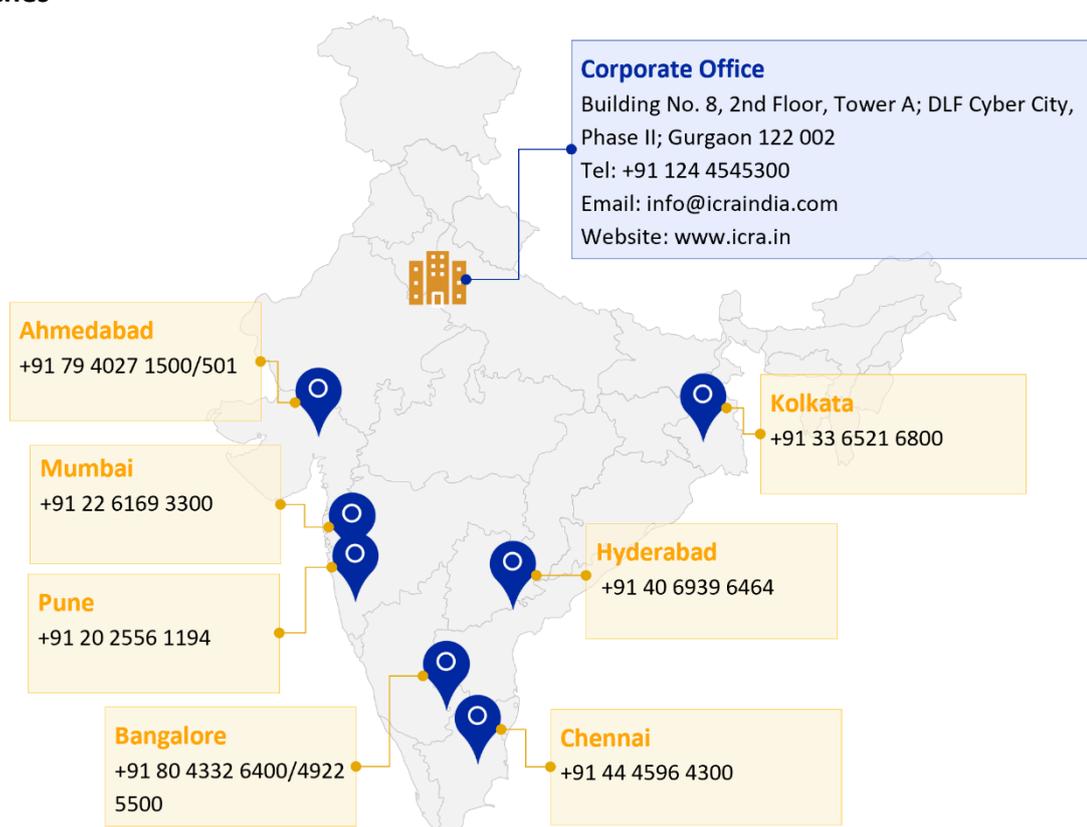
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