April 04, 2025

RPG Life Sciences Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Term Loan^	35.00	35.00	[ICRA]A+(Stable); reaffirmed
Long-term – Fund-based cash credit	40.00	40.00	[ICRA]A+(Stable); reaffirmed
Short-term – Non-fund based facilities	25.92	25.92	[ICRA]A1; reaffirmed
Total	**100.92**	**100.92**	

**Instrument details are provided in Annexure-I, ^not yet sanctioned*

Rationale

The ratings reaffirmation continues to factor in RPG Life Sciences Limited's (RPGLS) strong brand portfolio in the Indian pharmaceutical industry, its diversified and integrated operations with presence in regulated markets, and its financial flexibility as part of the RPG Group. The ratings also consider the steady improvement in its financial performance marked by stable growth of 13% and 12% in its scale of operations in FY2024 and 9M FY2025, respectively, sustained improvement in operating profit margins (OPMs) to 22.2% in FY2024 and 26.3% in 9M FY2025 over 20.4% in FY2023, driven by measures taken to optimise operating costs as well as through change in product mix towards international formulation and active pharmaceutical ingredient (API) segment. The ramp-up in revenues and earnings is expected to continue over the medium term, driven by new product launches as well as capacity enhancements, with limited reliance on debt and no major debt-funded capital expenditure (capex) plans, leading to robust debt protection metrics. Its liquidity profile remains strong, marked by sufficient unutilised fund-based limits and healthy free cash balances of ~Rs. 126 crore as on September 30, 2024. ICRA, however, will continue to monitor the usage of free cash, including any inorganic expansion and will assess the impact on RPGLS' credit profile, in case of any material change in its liquidity profile.

The ratings, however, remain constrained by its moderate, albeit growing, scale of operations with the company deriving most of its revenues from a few top brands in its domestic formulations business, resulting in product concentration risks. ICRA also notes that the management has re-evaluated its entry into the US and will focus on other markets over the medium term. However, the company continues to focus on increasing its presence in existing geographies through new product launches, and exploring new markets. For this, RPGLS has modernised both its manufacturing plants and secured approvals from few key regulators in 9M FY2025. The company also plans to apply its Ankleshwar (Gujarat) formulations facility for approval under 'The Pharmaceutical Inspection Co-operation Scheme' (PIC/S). Successful execution of these approvals and the ability of the company to grow its scale from the present levels remain key rating monitorable factors. RPGLS is exposed to regulatory risks and timely renewal of approvals from respective regulatory bodies, as is typical of other pharmaceutical entities. ICRA will continue to monitor the developments regarding the approval of manufacturing facilities by various health regulators and its likely impact on RPGLS. ICRA also notes the relatively high share of acute therapies in the company's portfolio, coupled with exposure to the Drugs Prices Control Order (DPCO) segment. The company is, however, looking to launch new products to provide better stability to cash flows and insulation against input price fluctuations, to an extent.

The Stable outlook reflects ICRA's opinion that RPGLS will continue to witness increasing scale of operations, led by launches of new products and expansion in international geographies while maintaining its operating margins. The capex outgo is expected to remain low, translating into a continued strong financial risk profile.

Key rating drivers and their description

Credit strengths

Strong brands in the Indian pharmaceutical industry – The company's domestic formulations business benefits from its strong brands, which continue to enjoy healthy market share in their respective therapeutic segments. It operates in various therapeutic areas, which include nephrology (immunosuppressants), gastro-intestinal (anti-diarrheal), pain management, oncology, rheumatology, cardio-vascular treatments etc. The domestic formulations business continues to be its major revenue driver with ~67% of total revenue in FY2024.

Robust capital structure and strong debt servicing indicators; financial flexibility as part of the RPG Group – Adequate retained cash flows and unencumbered cash and liquid investments limit RPGLS' dependence on external debt. With its debt-free status and improved operating performance, it has a robust capital structure and coverage metrics. Further, the company also enjoys financial flexibility as part of the RPG Group. ICRA, however, will continue to monitor the usage of free cash, including any inorganic expansion and will assess the impact on RPGLS' credit profile, in case of any material change in its liquidity profile.

Expansion of product portfolio and geographical presence augur well for growth prospects – RPGLS launched 12 new products in FY2024 and 17 new products in 9M FY2025 in its domestic formulations business. Sales from new products in domestic formulation have been inching up in terms of sales share and stood at around 25% of total sales for all launches since FY2019. ICRA notes the company's focus on increasing its presence in existing geographies through new product launches in niche categories, and on exploring new markets. Successful execution of these plans and their impact on the company's revenue growth and profitability are key rating monitorable factors.

Steady growth in top line and improving operating margins – The company reported healthy revenue growth of 13.5% to Rs. 582.1 crore in FY2024 and by 12.1% to Rs. 510.3 crore in 9M FY2025 on a YoY basis, owing to healthy demand for all its three business segments, i.e., domestic formulations, international formulations, and active pharmaceutical ingredients (APIs). The revenue growth can also be attributed to healthy sales of new products. The company is expected to report revenue growth of 10-15% in FY2025. This performance trend is expected to continue over the medium term, driven by new product development as well as capacity enhancements. Further, the operating margins improved to 22.2% in FY2024 and 26.3% in 9M FY2025 (23.6% in 9M FY2024) over 20.4% in FY2023, owing to better product mix and various cost-rationalisation measures of the company, including optimisation of costs and product re-engineering, which are expected to be sustainable in nature. The company is expected to increase its focus on the international formulation and API divisions, which will support the operating margins going forward, while continuing its domestic formulation segment growth.

Credit challenges

Moderate scale of operations with dependence on few products – Although growing, RPGLS' scale of operations is moderate. It is a mid-sized player among its peers in the Indian pharmaceutical industry, which limits its competitiveness in the market. ICRA also notes that the company derives most of its revenues from a few top brands in its domestic formulations business, resulting in product concentration risks. Also, the share of acute therapies remains significant at present, which RPGLS is looking to diversify by entering chronic categories to provide better stability to cash flows, going forward.

Entity remains exposed to regulatory risks related to approval and compliances – The company operates in the pharmaceutical space, which is highly regulated and subject to specific regulatory approvals as per operating territories. The company holds European Union Good Manufacturing Practice (EU GMP), World Health Organization Good Manufacturing Practices (WHO GMP), Therapeutic Goods Administration (TGA) Australia, Pharmaceuticals and Medical Devices Agency (PMDA) Japan, and Narcotic Drugs and Psychotropic Substances (NDPS) certifications, which are reviewed on a periodic basis by their respective regulatory agencies. Any suspension of these certifications can impact RPGLS' exports to these regulated and semi-regulated markets. ICRA will continue to closely monitor the developments regarding approvals for the company's manufacturing facilities by various health regulators and their likely impact on RPGLS.

Susceptibility of margins to raw material price fluctuations – The key raw materials and intermediates for some of the products in the company's portfolio are dependent on imports and, hence, its margins are susceptible to volatility in raw material prices. Also, about 35% of the company's portfolio is under the Drugs Prices Control Order (DPCO) and National Pharmaceutical Pricing Authority (NPPA) regulations, effectively capping the pass through of increase in input costs. However, comfort is taken from the adequate stocking of raw materials to assuage any volatility in raw material prices and the company's efforts towards launching new products in the non-DPCO space to decrease the share of DPCO coverage in its product portfolio.

Environmental and social risks

Environmental considerations: RPGLS does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations for breach of waste and pollution norms, which can result in an increase in operating costs and new capacity instalment costs. This can also require capital investments to upgrade its effluent treatment infrastructure to reduce its carbon footprint and waste generation. Further, the regulatory environment across the globe is becoming increasingly stringent, making entry into new geographies more challenging. However, the company assesses and identifies potential environmental risks, taking adequate measures and precautions by engineering control measures on a continuous basis. The company's plant at Navi Mumbai has a full-fledged new Effluent Treatment Plant (ETP) with Zero Liquid Discharge (ZLD), which involves primary, secondary and tertiary systems to treat and process sewage water. The Real Time Online Effluent Monitoring System (RTOEMS) installed at the ETP monitors and continuously transmits data to the Central Pollution Control Board and Maharashtra Pollution Control Board. The company's plant at Ankleshwar, Gujarat, with a full-fledged ETP, treats industrial wastewater and sends it to the final ETP of the vendor. The company adopts relevant techniques and methods, such as safety audits and periodic assessments for environmental, health and safety risks, and undertakes all required remedial measures, as and when needed.

Social considerations: The industry faces social risks related to product safety and associated litigation risk, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards. However, the company undertakes periodic internal and external audits to ensure compliance with the Occupational Health and Safety (OHS) management system within the manufacturing operation. Further, Government intervention related to price caps/ control also remains a social risk faced by entities in the pharmaceutical industry. However, the company has been taking all required regulatory approvals/ certificates before introducing any new products in the market. The company holds EU GMP, WHO GMP, TGA Australia, PMDA Japan, and NDPS certifications for manufacturing various bulk drugs, which are periodically reviewed by the respective regulatory agencies.

Liquidity position: Strong

The company does not have any term loan repayment obligations. RPGLS' cash flow from operations (CFO) is expected to remain healthy in the near term, supported by robust operating profit margins and largely stable working capital intensity. RPGLS has significant cushion available in the form of undrawn working capital limits of Rs. 40 crore as on December 31, 2024. Moreover, the company had cash and liquid investments to the tune of ~Rs. 126 crore as on September 30, 2024. Further, the company was able to monetise the surplus land available in the API plant in February 2025 supporting the liquidity position. The comfortable working capital cycle too has aided in better liquidity management. Further, the company enjoys financial flexibility as part of the RPG Group.

Rating sensitivities

Positive factors – Significant growth in the company's scale of operations while maintaining healthy margin levels and coverage indicators/ liquidity would be a positive trigger for a rating upgrade.

Negative factors – Pressure on RPGLS' ratings could arise, if there is a sustained deterioration in the company's operating performance or its working capital cycle, adversely impacting its liquidity profile. Any adverse observations by any regulatory authorities impacting its revenues and profitability, would also be a negative rating trigger. Further, any major debt-funded capex/large inorganic expansion, weakening the credit metrics will also be a negative rating trigger. Specific credit metric of total debt vis-à-vis operating profit before depreciation, interest, taxes and amortisation) above 2.0 times on a sustained basis, would also pose a pressure on RPGLS' ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Pharmaceutical](#)
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

RPG Life Sciences Limited, a part of RPG Enterprises, is an integrated pharmaceutical company, operating across domestic and international markets in the branded formulations, global generics and API space. With manufacturing facilities in Ankleshwar (Gujarat) and Navi Mumbai (Maharashtra), RPGLS has a presence in therapeutic areas such as nephrology, cardiovascular, gastro-intestinal and pain management, with strong domestic brands such as Naprosyn, Lomotil, Azoran, Aldactone, Tricaine etc. The company's business operations are divided into three business segments — domestic formulations, international formulations, and APIs. Its domestic formulations business comprises the branded generics market of India (earlier also included rest of world, or RoW markets, which was clubbed with international formulations with effect from FY2014). Its international formulations division caters to the developed markets and RoW markets (included only developed markets till FY2013). Earlier, RPGLS was also involved in manufacturing biotech APIs. However, it exited the same by selling its biotech unit on a slump sale to Intas Pharmaceuticals Limited on May 26, 2016, for a consideration of Rs. 25.0 crore.

Key financial indicators (audited)

RPGLS Standalone	FY2023	FY2024	9M FY2025*
Operating income	512.9	582.1	510.3
PAT	67.6	87.7	65.9
OPBDIT/OI	20.4%	22.2%	26.3%
PAT/OI	13.2%	15.1%	12.9%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	-
Total debt/OPBDIT (times)	0.0	0.0	-
Interest coverage (times)	90.8	89.7	304.9

*Source: Company, ICRA Research; * Limited review; All ratios as per ICRA's calculations; Amounts 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 (FY2026)			Chronology of rating history for the past 3 years					
			FY2026	FY2025^		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	April 04, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans*	Long-term	35.00	[ICRA]A+ (Stable)	-	-	Mar-06-2024	[ICRA]A+ (Stable)	Dec-15-2022	[ICRA]A (Stable)
Cash credit	Long-term	40.00	[ICRA]A+ (Stable)	-	-	Mar-06-2024	[ICRA]A+ (Stable)	Dec-15-2022	[ICRA]A (Stable)
Non-fund based bank facilities	Short-term	25.92	[ICRA]A1	-	-	Mar-06-2024	[ICRA]A1	Dec-15-2022	[ICRA]A1

**Term Loan is not sanctioned, ^Long-term rating in FY2025 was [ICRA]A+(Stable) and Short-term rating was [ICRA]A1*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Term loan	Simple
Long-term - Fund-based - Cash credit	Simple
Short-term - Non-fund based facilities	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	Term loans*	NA	NA	NA	35.00	[ICRA]A+ (Stable)
NA	Cash Credit	NA	NA	NA	40.00	[ICRA]A+ (Stable)
NA	Non-fund Based Bank Facilities	NA	NA	NA	25.92	[ICRA]A1

*Source: Company, *not yet sanctioned*

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

Annexure II: List of entities considered for consolidated analysis– Not applicable

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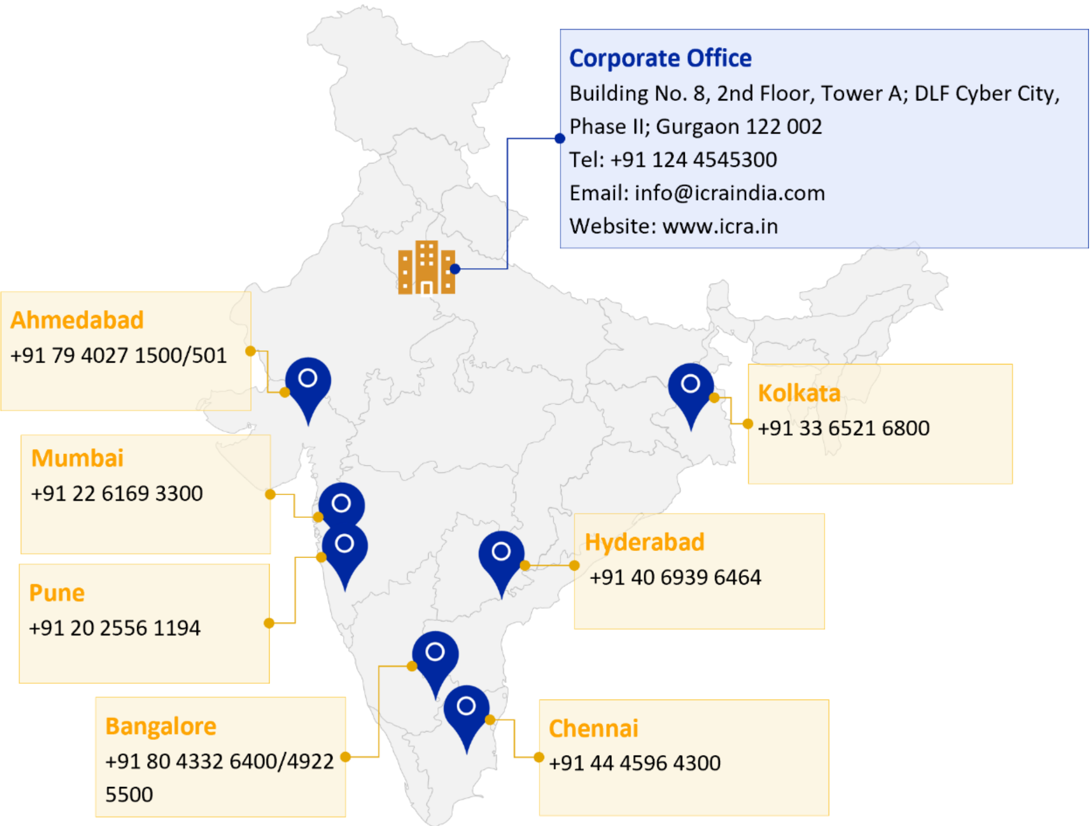

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