

May 30, 2025

## Alembic Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based	34.0	20.9	[ICRA]AA- (Stable); reaffirmed
Long-term – Fund-based/ Non-fund based	25.5	25.5	[ICRA]AA- (Stable); reaffirmed
Long-term/Short-term – Fund-based/ Non-fund based	10.0	10.0	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed
<b>Total</b>	<b>69.5</b>	<b>56.4</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of ratings of Alembic Limited (AL) considers the strong financial flexibility that the company enjoys by virtue of the sizeable market value of its investment in Alembic Pharmaceutical Limited (APL, a 28.5% stake), the flagship entity of the Alembic Group, as well as in another group entity, Paushak Limited (a 19.1% stake). The ratings also continue to factor in the strength derived from being a part of a strong promoter group, which has presence across several businesses like pharmaceuticals, real estate, chemicals, education, and healthcare. AL's credit profile is also supported by the sizeable dividend income earned from the equity stake held in APL. Dividend income accounted for 23% of AL's revenues and 40% of the operating profit in FY2025.

AL, on a standalone basis, is also engaged in the real estate business, both in commercial as well as residential segments. In FY2025, the real estate segment experienced healthy and rising bookings in three of its residential real estate projects (Veda II, Townhouse 24 and The Garden), that were nearing completion. The Townhouse 24 project, which started in FY2021, has been completely booked as on March 31, 2025. ICRA further notes the progress in The Villa project, which was launched in FY2021, wherein 75% of the total units were booked as of March 31, 2025. 'The Garden' project, started in FY2023, has a total unit booking of around 85% as of March 31, 2025. The company has started a new project, Park Crescent, in FY2025, which is located alongside Townhouse 24 and The Villa projects. Revenue from residential real estate vertical is expected to be steady in FY2026, however, launch of new projects remains key for sustaining the scale of operations in the real estate business, going forward. Moreover, the rental income from commercial real estate assets, which has increased at a CAGR of 18.3% during FY2020-25, has supported the revenue profile and is expected to continue over the medium term, backed by rental escalations in the existing commercial properties as well as a new commercial property under construction.

Although the ongoing projects are exposed to some degree of project execution risk, their self-funded nature (funded through on-balance sheet liquidity and internal accruals) and AL's track record of successfully managing its projects, 'Samsara', 'Veda Phase I' (residential and commercial), 'Veda Phase II' and 'Townhouse 24', remain a source of comfort. In addition, a growing rental income portfolio (with addition of new lessees) from its commercial real estate projects lends support to AL's business profile.

The company is also engaged in manufacturing active pharmaceutical ingredients (APIs), but it remains a small business as of now, with operating income of Rs. 32 crore in FY2025 mainly from job-work activities for Group companies as well as for other pharmaceutical players.

AL the has a high dividend payout ratio. However, its liquidity profile is strong, supported by a healthy buffer in the working capital limits of Rs. 26 crore and cash and investment balances of around Rs. 52 crore as of March 2025 against limited repayment obligations of Rs. 3.8 crore in FY2026. ICRA also draws comfort from the presence of a significant land bank (102 acres) of the company, which can be monetised in case of exigencies.

ICRA also notes the appeal in the Supreme Court on the verdict received against the company from the High Court of Gujarat, which pertains to a litigation on the payment of electricity duty against the notice issued by the Chief Auditor (dated January 12, 2004). The company was directed to deposit Rs. 35 crore by the Supreme Court and the same was paid by the company on May 26, 2023, and the appeal filed by the company was admitted. The company has already provisioned an amount of Rs. 20.53 crore against the same and disclosed contingent liability for interest, the amount of which is not ascertainable and not acknowledged or accepted by the company. ICRA will continue to monitor the development related to this matter and any adverse ruling against the company, which materially impacts its liquidity profile, will remain a monitorable.

The Stable outlook reflects ICRA's opinion that AL's financial profile will remain supported by the large market value of its investments, its stable dividend income from its investment in Group companies and the low debt on its books, which is likely to continue in the near-to-medium term.

## Key rating drivers and their description

### Credit strengths

**Healthy financial flexibility** – AL currently holds a 28.54% stake in APL, the flagship company of the Group, which provides it with a healthy financial flexibility. The market value of AL's stake in APL was valued at around Rs. 5,570 crore as on May 27, 2025. Besides, dividend income from APL has been supporting AL's net profit over the past few years except in FY2021, when APL declared special and interim dividend in March 2020, which was covered in the dividend income under FY2020. In July 2024, APL declared a dividend of Rs. 11 per share (around Rs. 63 crore), which was received in FY2025, supporting the company's profitability. Dividend income stood at ~23% of the top line and ~40% of the operating profit in FY2025.

**Strong promoter group and management team** – The promoters of the company have been in this business for the past many years and have an established track record in the pharma and real estate sectors.

**Significant land bank, which can be monetised in case of exigencies** – The company has sizeable unused land, providing opportunities to monetise the same and improve cash flows.

**Strong capital structure, driven by minimal debt on the books of the company** – The company had been debt free from 2015 to 2023. Although all its real estate projects are self-funded along with stable rental income, the company has taken a term loan in FY2024 in the form of lease rental discounting of around Rs. 18 crore (against a total sanctioned amount of Rs. 31 crore) to fund certain real estate activities. ICRA expects the operations to utilise minimal debt in the near-to-medium term, indicating a strong financial risk profile of the company, in the absence of any debt-funded capex plans. The debt protection metrics continue to remain comfortable with TD/OPBDITA remaining low at 0.1 times as of FY2025. The same is expected to continue to remain comfortable, given the limited debt requirements over the medium term.

### Credit challenges

**Limited diversification of investments** – APL continues to drive the bulk of AL's revenues from dividend income (~23% of top line) and the OPBITDA (40%) in FY2025. Consequently, AL's cash flows are predominantly dependent on APL's financial performance and dividend policy. However, the strong credit profile of APL and its track record of declaring dividends provide comfort.

**Small scale of operations and weak profitability profile of the API business** – The company is a marginal player in the bulk drugs business, with revenues from the API division amounting to Rs. 32.2 crore in FY2025, mainly from job-work activities for Group companies as well as for other pharmaceutical players. Although, the API segment reported an improved PBIT of Rs. 4.7 crore in FY2025 over Rs. 3.4 crore in FY2024, the same remains modest in comparison to the dividend income and the real estate business. Therefore, the company's ability to materially ramp up its API business and, thereby, improve its scale and earning levels remain to be seen.

**Uncertainty attached with contingent liability related to electricity duty issue** – On February 14, 2023, AL had intimated the stock exchanges regarding an update on an old litigation it had filed (in 2004) against the Collector of Electricity Duty, Chief

Auditor, Industries Commission, State Government of Gujarat. The litigation pertains to the payment of electricity duty against the notice issued by the Chief Auditor (dated 12.1.2004). The High Court of Gujarat has ruled the verdict against the company in February 2024. Thereafter, the company filed a Special Leave Application at the Supreme Court, challenging the order passed by the High Court of Gujarat. The same was admitted, subject to the company depositing Rs. 35 crore, which it deposited on May 26, 2023, well within the period prescribed in the said order. Pending the decision of the Supreme Court, the company has made an aggregate provision in its books for the principal amount and disclosed contingent liability for interest, the amount of which is not ascertainable and not acknowledged or accepted by the company. ICRA will continue to monitor the development regarding the same and its impact on the credit risk profile of the company.

## Environmental and social risks

**Environmental considerations:** The company's API division remains exposed to tightening environmental regulations on breach of waste and pollution norms, which can lead to an increase in the operating costs and new capacity installation costs. This may also require continued capital investments to update its effluent treatment infrastructure to reduce carbon footprint and waste generation. The company has undertaken various initiatives to ensure compliance with applicable regulations. The waste generated in the company's operations is either recycled or disposed of safely. It has an effluent treatment plant, which ensures that the discharge of treated effluent is within the limits stipulated by the respective pollution control boards, minimising possibility of fines / penalties / other repercussions from non-compliance.

The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher costs of raw materials such as building materials and cost of compliance with pollution control regulations. Environmental clearances are required for commencement of projects and lack of timely approvals can affect business operations. The impact of changing environmental regulations on licences taken for property development could also create credit risks. Further, the environmental risk in the real estate sector is assessed from the design stage of a project, and adequate steps should be taken to reduce environmental impact at construction and operational stages. Thus, any lapses in taking adequate steps can have adverse impact in terms of regulatory actions, which can cause substantial penalties or fines.

**Social considerations:** The company's API division faces social risk related to product safety and associated litigation risks, access to qualified personnel for R&D engineering, maintenance of high manufacturing compliance standards, etc. Further, Government interventions related to price caps/control also remain a social risk for pharma entities.

Further, with the real estate business being labour-intensive, the company is exposed to risk of disruption due to inability to properly manage human capital in terms of their safety and overall well-being. Further, any significant wage rate hike would adversely impact the cost structure, thereby impacting the margins. The company is also exposed to the risk of shortage of skilled labour, which can impact operations. However, as per the company's disclosures, AL has taken measures towards employee welfare, including putting in place a social accountability policy. The company has not witnessed any protest for wage hikes or a notable shortage of skilled labour till date.

## Liquidity position: Strong

AL's liquidity is strong, given the sizable buffer of around Rs. 26 crore in fund-based limits with its average working capital utilisation being negligible at 7% for the 12-month period ending in March 2025. It had cash and investments of Rs. 52.1 crore as of March 2025 and is expected to generate retained cash flows of Rs. 60-70 crore over the next twelve months. Additionally, AL holds a 28.54% stake in APL, the flagship company of the Group, which provides it with financial flexibility. Against these sources of funds, it has repayment obligations of Rs. 3.8 crore in FY2026 and is expected to incur capex of Rs. 45-50 crore (including the capex for new commercial building).

## Rating sensitivities

**Positive factors** – ICRA could upgrade the long-term rating in case of an improvement in AL's financial flexibility, aided by a material increase in the underlying value of its investments on a sustained basis, besides the sustenance of a financial policy aimed at keeping the financial leverage low.

**Negative factors** – The ratings could be downgraded in case of any substantial deterioration in the liquidity profile of the company due to absence of dividend income or reduction in its financial flexibility owing to a considerable decline in the market capitalisation or material weakening of the credit profile of APL. In addition, any large debt raised, which materially deteriorates its overall credit profile on a sustained basis, will also be a negative rating trigger.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Investment Companies</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

## About the company

Alembic Limited was incorporated on July 30, 1907. The company was promoted by industrialist, Shri Bhailalbhai Amin, and scientists, Prof. TK Gajjar and Shri Kotibhaskar. The company has been a pioneer in manufacturing Penicillin-G (Pen-G) through the fermentation process. To unlock shareholder value and help insulate the core pharmaceutical operations from severe volatility and uncertainty of the Pen-G business, the company's board of directors approved the demerger of its core pharmaceutical business (formulations) into a wholly-owned subsidiary, APL, with effect from April 01, 2010. Following the demerger, both the companies were listed on the Bombay Stock Exchange and the National Stock Exchange.

Consequent to the demerger, APL became the flagship company of the Alembic Group. It is a pure pharmaceutical player focused on domestic formulations, an international business largely driven by regulated markets, and R&D activities. AL primarily operates in i) bulk drugs manufacturing, ii) real estate development (including leased premises), and iii) wind power generation (four windmills with a total capacity of 5 MW) and co-generation power plants (two plants with a total capacity of 6 MW) used for the captive consumption of its bulk drugs business. In addition, AL has equity investments in APL (a 28.54% stake as on March 31, 2025) and Paushak Limited (a 19.07% stake as on March 31, 2025).

## Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	198.2	280.6
PAT	92.9	141.9
OPBDIT/OI	51.6%	55.5%
PAT/OI	46.9%	50.6%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	148.7	85.1

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 ratings (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 30, 2025	Date	Rating	Date	Rating	Date	Rating
Long Term - Fund Based	Long term	20.9	[ICRA]AA-(Stable)	-	-	Feb-28-24	[ICRA]AA-(Stable)	Nov-29-22	[ICRA]AA-(Stable)
								Feb-23-23	[ICRA]AA-(Stable)
Long Term - Fund Based/Non Fund Based	Long term	25.5	[ICRA]AA-(Stable)	-	-	Feb-28-24	[ICRA]AA-(Stable)	Nov-29-22	[ICRA]AA-(Stable)
								Feb-23-23	[ICRA]AA-(Stable)
Long Term/Short term - Fund Based/Non Fund Based	Long term and short term	10.0	[ICRA]AA-(Stable)/[ICRA]A1+	-	-	Feb-28-24	[ICRA]AA-(Stable)/[ICRA]A1+	Nov-29-22	[ICRA]AA-(Stable)/[ICRA]A1+
								Feb-23-23	[ICRA]AA-(Stable)/[ICRA]A1+

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term - Fund Based/ CC	Simple
Long Term - Fund Based/Non Fund Based	Very Simple
Long Term/Short term - Fund Based/Non Fund Based	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
-	<b>Fund-based Facility – CC/ WCDL</b>	NA	NA	NA	5.9	[ICRA]AA-(Stable)
-	<b>Fund-based Facility – Lease Rental Discounting</b>	NA	NA	NA	15.0	[ICRA]AA-(Stable)
-	<b>Fund-based / Non-fund Based – Working capital facilities</b>	NA	NA	NA	25.5	[ICRA]AA-(Stable)
-	<b>Fund-based / Non-fund Based – Working capital facilities</b>	NA	NA	NA	10.0	[ICRA]AA-(Stable)/ [ICRA]A1+

Source: Company

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

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

## ANALYST CONTACTS

**Jitin Makkar**

+91 124 4545368

[jitinm@icraindia.com](mailto:jitinm@icraindia.com)

**Srikumar Krishnamurthy**

+91 44 4596 4318

[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Nithya Debbadi**

+91 40 6939 6416

[nithya.debbadi@icraindia.com](mailto:nithya.debbadi@icraindia.com)

**Roshan Dugar**

+91 20 6606 9924

[roshan.dugar@icraindia.com](mailto:roshan.dugar@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



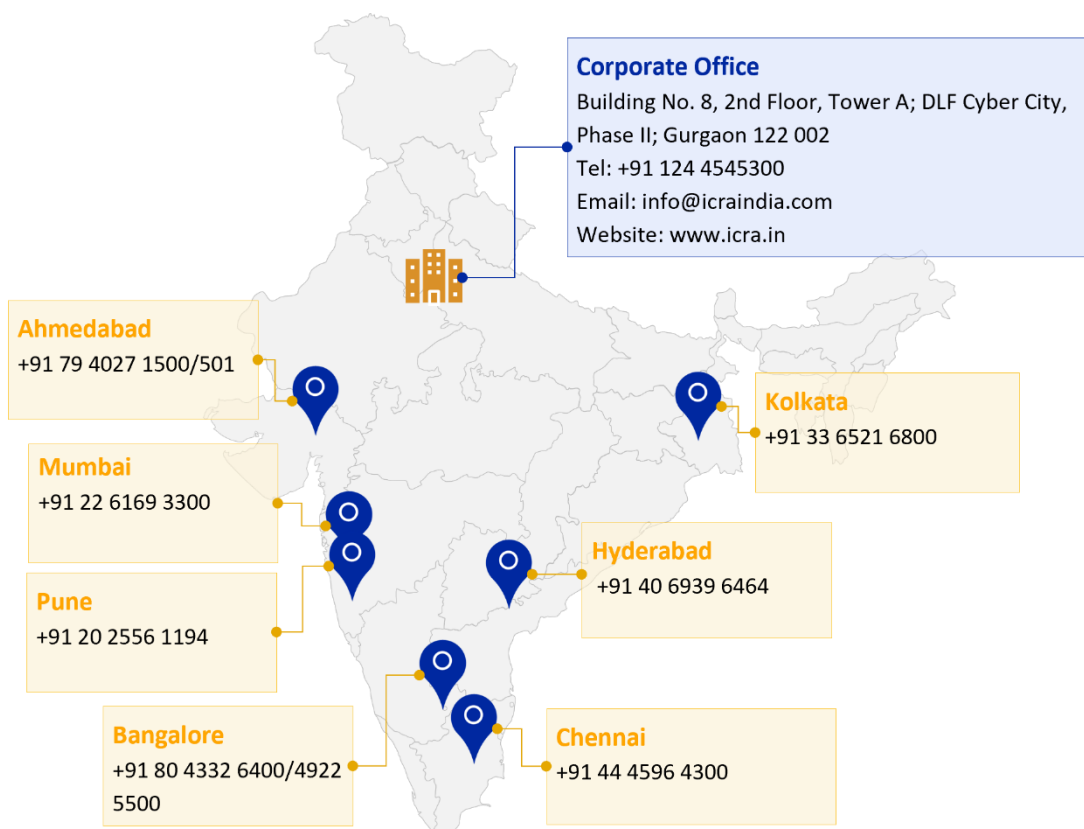
### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.