

June 30, 2025

Lincoln Pharmaceuticals Ltd.: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|--|--------------------------------------|-------------------------------------|------------------------------|
| Long-term – Fund-based Limits | 66.00 | 66.00 | [ICRA]A (Stable); Reaffirmed |
| Long-term – Interchangeable Limit | (16.00) | (16.00) | [ICRA]A (Stable); Reaffirmed |
| Short-term – Non-fund Based Facilities | 11.00 | 11.00 | [ICRA]A1; Reaffirmed |
| Total | 77.00 | 77.00 | |

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation of Lincoln Pharmaceuticals Limited (LPL) continues to consider the company's comfortable capital structure, aided by low reliance on external debt and its strong coverage indicators, along with a strong liquidity profile backed by sizeable cash and liquid investment with unutilised working capital limits. The debt metrics are expected to remain at comfortable levels, backed by absence of any debt-funded capex and satisfactory operating profit margins. The ratings also continue to draw comfort from the company's diversified product profile, catering to several therapeutic areas, coupled with its growing geographical footprint across India and surging share of exports to unregulated and emerging markets. The rating also factors in the extensive track record of the promoters in the pharmaceutical formulations business along with its established relationships with customers, which has entailed repeat orders.

The ratings, however, remain constrained by its moderate, albeit growing, scale of operations, susceptibility of LPL's profitability to movements in prices of active pharmaceutical ingredients (APIs; raw materials) and changes in Government policies, mainly related to price control. Further, the risk is accentuated, as a part of its product offerings (accounting for 20% of its product portfolio) fall under the ambit of drug price control order (DPCO) by the regulators under the Essential Commodities Act, which limits its pricing flexibility. Further, intense competition in the domestic generic formulations industry from both organised and unorganised players continues to keep its revenues and margin under check. The ratings also remain constrained by the high working capital intensity of operations owing to the long credit period extended to its key export destinations. ICRA also notes that the company has extended sizeable intercorporate loans to unrelated parties, given the healthy cash generated from the business. Although there has not been any instance of bad debts in the past, their timely recovery will be critical from liquidity as well as overall credit perspective and will be closely monitored.

The Stable outlook reflects ICRA's opinion that LPL's revenue will continue to exhibit stable growth with satisfactory profit margins. Along with limited debt level, given that no large debt-funded capital expenditure (capex) is envisaged, this will help LPL in maintaining its credit metrics at comfortable levels in the near term.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established relationships with customers – The promoters have extensive experience of more than three decades in the pharmaceutical formulation business. Over the years, LPL has developed established relationships with its customers, which has entailed repeat orders.

Diversified product profile catering to multiple therapeutic areas and expanding geographical presence – LPL manufactures pharmaceutical formulations in various forms such as tablets, capsules, ointments, syrups, dry powder and liquid injections. At present, the product portfolio remains diversified with more than 600 formulations catering to various therapeutic segments such as antibiotics, analgesics, anti-cold drugs, gynaecology, anti-malarial, and multi-vitamins. LPL has evolved over time as a dominant export player, with its share of exports rising to 62% as of FY2025 from 35% in FY2018, with its focus on semi-regulated markets owing to intense competition in the domestic generic formulations industry. Its export sales are concentrated, with the African markets generating more than 24% of its total export sales. Meanwhile, in the domestic market, the company has a diversified presence in more than 26 states. LPL's manufacturing facility in Khatraj, Gujarat, received clearance from Therapeutic Goods Administration (TGA) for all three departments — tablets, capsules and creams, and ointments—which will cover a wide range of its pharmaceutical formulations.

Comfortable capital structure and healthy debt protection metrics – Given the nil debt position as on March 31, 2025, LPL's capital structure remains comfortable along with subsequent robust interest coverage of 58.3 times, and TOL/TNW of 0.19 times as on March 31, 2025. LPL's reliance on external debt continues to remain low, leading to favourable capital structure and sound debt protection metrics.

Strong liquidity position – LPL maintains a sound liquidity profile, supported by sizeable cash and liquid funds (parked in mutual funds and equity) to the tune of ~Rs. 196 crore, as on March 31, 2025, along with sparsely utilised working capital limits.

Credit challenges

Moderate scale of operations amid intense competition in generic formulations industry – Although growing, LPL remains a mid-sized player in the generic formulations industry with a consolidated operating income of Rs. 631.3 crore in FY2025, a YoY growth of 8%. The domestic generic formulation industry faces stiff competition from numerous contract manufacturers, multinational companies as well as established domestic brands, with some of these players also having a pan-India presence. This intense competition keeps revenue growth and margins under check. Going forward, the company will emphasise in growth in lifestyle, chronic, women's healthcare, and dermatology segments, alongside the existing acute care portfolio. With plans to introduce new products in both domestic and international markets, along with strategic expansions into untapped regions, the company aims to strengthen its market position. Following recent approvals from TGA Australia and EU GMP, along with an entry into the Canadian market, the company is targeting a further global expansion to over 90 countries from the current 60-plus countries in the next 2-3 years.

Operations exposed to regulatory restrictions; coverage under DPCO, which restricts pricing flexibility – The operations remain exposed to regulatory restrictions in terms of pricing caps in domestic markets and product/facility approvals in export destinations. As some of its products fall under the ambit of DPCO by the regulators under the Essential Commodities Act, its pricing flexibility is limited. However, the impact of DPCO-restricted pricing is severe in the initial year and thereafter an annual price revision at regulator determined rates are allowed, which provides some respite in pricing flexibility. Going forward, with increasing focus on exports, ICRA notes that timely product and facility approval/renewal in various semi-regulated markets remains critical for the growth of LPL's export business.

Sizeable amount lent as inter-corporate loan to individuals and entities, timely recovery of the same remains critical – LPL has extended sizeable inter-corporate loans to unrelated parties, which stood at ~Rs. 141.3 crore as on March 31, 2025,

increased from Rs. 104.2 crore as on March 31, 2024. This accounts for 21% of net worth as on March 31, 2025. Although, there has not been any instance of bad debts in the past, their timely recovery will be critical from a liquidity profile as well as overall credit perspective and, hence, will remain a key rating monitorable, going forward.

High working capital intensity of operations – The working capital intensity of LPL remains relatively high, as depicted by NWC/OI of 31% in FY2025 owing to sizeable share of its exports market, which has a higher credit period (up to ~120 days against 60-90 days in the domestic market), coupled with moderate inventory requirement. The working capital intensity is expected to remain at similar level in FY2026 as the debtor days are likely to continue to remain at elevated level in the near term. The ability of the company to timely recover dues from its key export destinations will remain a key rating monitorable.

Environmental and social risks

Environmental considerations: LPL 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 lead to an increase in operating costs and new capacity instalment costs. This may 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.

Social considerations: The industry faces social risks related to product safety and associated litigation, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards. Training and awareness programmes are conducted throughout the year to create sensitivity towards ensuring a respectable workplace.

Liquidity position: Strong

At a consolidated level, the liquidity position of LPL is strong, supported by free cash and liquid investments (parked in mutual funds and equity investments) of Rs. 196 crore, as on March 31, 2025. The liquidity is further supported by expected fund flow from operations¹ of Rs. 80-100 crore in FY2026 against Rs. 82.5 crore in FY2025. Further, there was no term debt outstanding as on March 31, 2025, and the company has no major capex plan in FY2026. The liquidity is also supported by cushion in working capital limits, given the limited utilisation level in the last 12 months.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if LPL demonstrates healthy scaling up of operations, while improving its profitability and working capital cycle.

Negative factors – Pressure on LPL’s ratings could arise if a substantial decline in the scale of operations and profitability results in a material deterioration of coverage indicators, or a sizeable capex or increase in working capital cycle adversely impacts the liquidity profile and key credit metrics. Specific negative trigger that can lead to ratings downgrade include Total debt/OPBITDA remaining over 2.0 times on a sustained basis.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Pharmaceuticals |
| Parent/Group support | Not applicable |

¹ Fund flow from operations = operating revenues less operating costs (including taxes) less interest paid

Consolidation/Standalone

ICRA has combined the business and financial risk profiles of LPL and its wholly-owned subsidiary, Zullinc Healthcare LLP, as the entity is owned and managed by the same promoters and is involved in related business segments.

About the company

Established as a partnership firm in 1979, Lincoln Pharmaceuticals Limited has been manufacturing pharmaceutical formulations in the domestic market as well as exporting formulations. LPL was reconstituted as a public limited company in 1995 and is listed on the BSE. Its manufacturing plant at Kharjat, in the Gandhinagar district of Gujarat, has an installed manufacturing capacity of 200 crore tablets, 45 crore capsules, and 90 lakh packs of ointments per annum. The unit is ISO 9001, ISO 14001 and OHSAS 18001 certified and EUGMP, WHO, cGMP, MHRA and TGA compliant. In FY2022, the company acquired a plant in Mehsana (Gujarat) and started production of cephalosporin products at the facility from FY2023.

The company is part of the Lincoln Group, which manufactures pharmaceutical formulations in categories such as generics, anti-malarial, anti-diabetic, gynaecology products, vitamins, minerals and anti-oxidants. LPL has a wholly-owned subsidiary, Zullinc Healthcare Limited, which trades and markets pharmaceutical products.

Key financial indicators (audited)

| | FY2024 | FY2025* |
|---|--------|---------|
| Operating income | 585.2 | 631.3 |
| PAT | 93.3 | 82.3 |
| OPBDIT/OI | 17.9% | 17.4% |
| PAT/OI | 15.9% | 13.0% |
| Total outside liabilities/Tangible net worth (times) | 0.18 | 0.19 |
| Total debt/OPBDIT (times) | 0.01 | 0.00 |
| Interest coverage (times) | 71.6 | 58.3 |

Source: Company, ICRA Research; * Results; 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

| Instrument | Type | Current rating (FY2026) | | Chronology of rating history for the past 3 years | | | | | |
|---|------------|-------------------------|------------------|---|------------------|--------|--------|-------------|------------------|
| | | FY2026 | | FY2025 | | FY2024 | | FY2023 | |
| | | Amount Rated (Rs Crore) | June 30, 2025 | Date | Rating | Date | Rating | Date | Rating |
| Long term-Fund based limits | Long Term | 66.00 | [ICRA]A (Stable) | 03-APR-2024 | [ICRA]A (Stable) | - | - | 07-APR-2022 | [ICRA]A (Stable) |
| | | | | - | - | - | - | 31-MAR-2023 | [ICRA]A (Stable) |
| Long term-others-interchangeable | Long Term | (16.00) | [ICRA]A (Stable) | 03-APR-2024 | [ICRA]A (Stable) | - | - | 07-APR-2022 | [ICRA]A (Stable) |
| | | | | - | - | - | - | 31-MAR-2023 | [ICRA]A (Stable) |
| Short term-others-non fund based | Short Term | 11.00 | [ICRA]A1 | 03-APR-2024 | [ICRA]A 1 | - | - | 07-APR-2022 | [ICRA]A1 |

| | | | | | | | | | |
|--|------------|--|--|---|---|---|---|-------------|------------------|
| | | | | - | - | - | - | 31-MAR-2023 | [ICRA]A1 |
| Long term-unallocated-unallocated | Long Term | | | - | - | - | - | 07-APR-2022 | [ICRA]A (Stable) |
| Short term-others-interchangeable | Short Term | | | - | - | - | - | 31-MAR-2023 | [ICRA]A1 |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|--|----------------------|
| Long-term – Fund-based limits | Simple |
| Long-term – Interchangeable Limit | Simple |
| Short-term – Non-fund Based – Bank Guarantee/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 | Fund-based Limits | NA | NA | NA | 66.00 | [ICRA]A(Stable) |
| NA | Interchangeable Limits | NA | NA | NA | (16.00) | [ICRA]A(Stable) |
| NA | Non-Fund based Facilities – Letter of Credit | NA | NA | NA | 3.00 | [ICRA]A1 |
| NA | Non-Fund based Facilities – Bank Guarantee | NA | NA | NA | 3.00 | [ICRA]A1 |
| NA | Non-Fund based Facilities | NA | NA | NA | 5.00 | [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

| Company Name | Ownership | Consolidation Approach |
|---------------------------------|----------------|------------------------|
| Lincoln Pharmaceuticals Limited | Parent Company | Full Consolidation |
| Zullinc Healthcare LLP | 100.00% | Full Consolidation |

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Kinjal Shah

+91 22 61143442

kinjal.shah@icraindia.com

Sakshi Suneja

+91 22 6169 3349

sakshi.suneja@icraindia.com

Karan Gupta

+91 22 6114 3416

karan.gupta@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

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

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

ICRA Limited



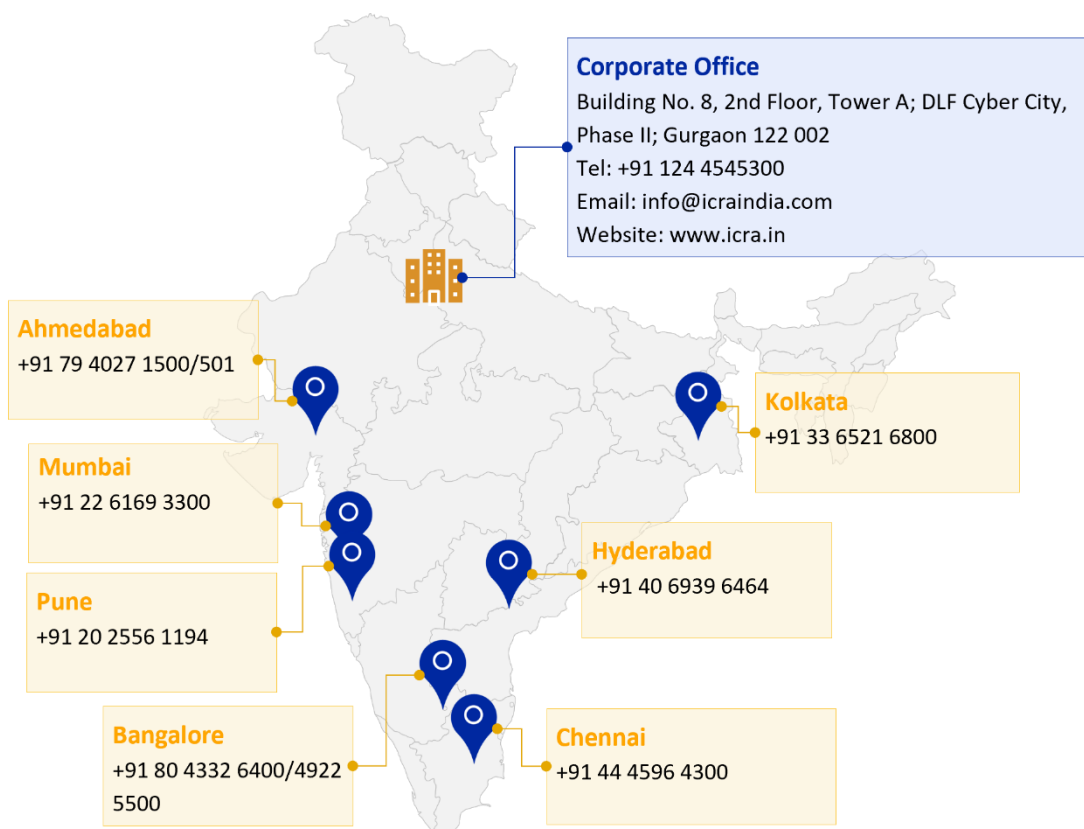
Registered Office

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 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.