

July 24, 2025

Chromachemie Laboratory Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash Credit	3.00	3.00	[ICRA]BBB+ (Stable); reaffirmed
Short-term – Non-fund Based – Bank Guarantee	51.00	51.00	[ICRA]A2; reaffirmed
Total	54.00	54.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has considered the consolidated operational and financial profiles of Chromachemie Laboratory Private Limited (CLPL) and its group company, Kaustubha Scientific Research Laboratory Private Limited (KSRLPL), (together referred to as the company/Group) owing to the strong financial and operational linkages between them, as well as common management and operations in similar businesses.

The reaffirmation of ratings for CLPL considers its established market position as the sole authorised distributor of United States Pharmacopeia (USP) and a major distributor of European, British and Indian Pharmacopeia in India, and the extensive experience of its promoters in the distribution of pharmaceutical reference standards in the domestic market. Besides, its long relationships with key clientele resulted in repeat business offtake and stable demand prospects for the Group over the years. The Group's revenue and operating profits rose at a CAGR of 7.6% and 1.7%, respectively over the past five years. In FY2025, the company reported a healthy revenue growth of 17% on a YoY basis, supported by steady demand momentum and easing of competition, which also supported its operating profitability. Additionally, the ratings are supported by a comfortable capital structure and coverage metrics, characterised by the company's healthy liquidity position, sizeable net worth base and negligible external debt at a consolidated level.

The ratings are, however, constrained by product concentration risk as the company continues to derive 70-75% of its revenue from the distribution of USP reference standards. This coupled with inherent competition in the industry also poses some risk to its profitability. However, CLPL's established business position and reputed customer base provide some comfort. The ratings also consider susceptibility of CLPL's profitability to forex risk (as most reference standards are imported) and moderately high working capital intensity of the business owing to high receivables and inventory cycle. ICRA also notes the continuous renewal of dealership agreement with USP Convention (valid till June 2026) owing to the company's long association with them. Also, the company's exposure to regulatory changes, primarily linked to enforcement of standards set by USFDA, will remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectation that CLPL will continue to benefit from its strong operational track record and established client base in the pharmaceutical reference standards market in India and will be able to sustain a comfortable capital structure and strong liquidity position.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoters in distribution of pharmaceutical reference standards – CLPL has been promoted by Mr. B.R.S Rao, who has more than two decades of experience in the distribution of various pharmaceutical reference standards in the country. The company also provides chromatography separations products with technology support, including

development and supply of custom designed columns to scale up process columns under the brand names, Puritas, and has a strong operational track record.

Authorised distributor of USP reference standards in India – CLPL has maintained an established market position for sale of reference standards in India, supported by its long association with its principal, USP Convention Inc., for over 20 years. The ongoing agreement with the USP Convention is valid till June 2026. This along with distribution of various other pharmacopoeia (European, British etc.) in India has supported its earnings profile over the years.

Established relationship with key customers, which include reputed Indian pharmaceutical companies – The Group's established client portfolio of reputed pharmaceutical companies in India will continue to support CLPL in sustaining its scale of operations through repeat orders. Moreover, its customer concentration remains low with its top five customers accounting for 20-25% of CLPL's total revenues in recent years.

Comfortable capital structure and coverage metrics – CLPL's capital structure is healthy, supported by a sizeable net worth base of Rs. 171 crore and negligible external debt comprising primarily unsecured loans from promoters of Rs. 5 crore as on March 31, 2025 (provisional). Moreover, improvement in operating profits and low debt profile have also supported its coverage, as marked by an interest coverage of 6.1 times and Total Debt/OPBDITA of 1.6 times for FY2025 (3.3 times and 3.0 times, respectively for FY2024). Going forward, the capital structure and coverage indicators are expected to remain comfortable as well, backed by no major debt-funded capex plans and steady cash accrual generation.

Credit challenges

High dependence on USP as 70-75% of revenues are derived from USP sales – Sales from USP continue to contribute 70-75% to CLPL's revenue over the past three years, given the long association of the company with USP Convention and dealership agreement for distribution of USP in India. The current distribution agreement expires in June 2026 and thus timely renewal of the same would be critical for maintaining revenue visibility. However, established relationship with the dealer mitigates this risk to an extent.

Profitability susceptible to foreign exchange fluctuations and regulatory changes – The company imports the reference standards, which expose its profitability to significant fluctuations in forex rates as it does not hedge its forex exposure. Also, revenue and profitability of CLPL are susceptible to regulatory changes as purchases are primarily linked to enforcement of standards set by USFDA.

Moderately high working capital intensity – CLPL's working capital intensity remains moderately high on account of an extended credit period to its customers (60-90 days) and an inventory cycle of about 30 days basis the confirmed orders. USP extends a credit period of 60 days to CLPL and British Pharmacopoeia and European Pharmacopoeia extend 60-90 days.

Liquidity position: Strong

CLPL's liquidity remains strong, supported by unencumbered cash balances/fixed deposits of Rs. 121.4 crore as on March 31, 2025 at a consolidated level. This apart, its liquidity position is further supported by Rs. 3 crore of unutilised bank lines as on March 31, 2025. Going forward, the company does not have any major debt repayment liabilities. In the absence of significant capital expenditure plans, the company's cash flows and liquidity are expected to remain comfortable.

Rating sensitivities

Positive factors – ICRA could upgrade CLPL's ratings if the company is able to achieve a healthy revenue growth, aided by increased business diversity, while maintaining its healthy liquidity position and improving its profit margins on a sustained basis.

Negative factors – Pressure on the ratings may arise if there is a sustained decline in revenues, adversely impacting the company's profitability and return indicators and/or any increase in working capital intensity weakens the liquidity position.

Specific credit metric that could lead to a downgrade of the ratings include Total Debt/OPBDITA of more than 2.3 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	The ratings are based on the consolidated financials of CLPL and its group company, KSRLPL.

About the company

Established in 2012, CLPL is engaged in distribution of pharmaceutical reference standards and manufacturing of chromatography consumables. It distributes USP reference standards through its authorised dealership of USP Convention Inc., along with distribution of British Pharmacopoeia, European Pharmacopoeia and India Pharmacopoeia in India, Bangladesh and Pakistan. The company has been promoted by Mr. B.R.S. Rao, who has extensive experience in sales and distribution of reference standards in the industry. CLPL's group company, KSRLPL, is engaged in distribution of British Pharmacopoeia, European Pharmacopoeia and Indian Pharmacopoeia in India. It is headquartered in Bangalore.

Key financial indicators

CLPL – Consolidated	FY2024	FY2025*
Operating income	434.2	508.9
PAT	14.0	27.5
OPBDIT/OI	4.4%	6.7%
PAT/OI	3.2%	5.4%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	1.3	0.2
Interest coverage (times)	6.3	16.0

Source: Company, ICRA Research; * Provisional numbers; 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

CRA	Status	Date of release
CRISIL Ratings	CRISIL B (Stable); ISSUER NOT COOPERATING/CRISIL A4; ISSUER NOT COOPERATING; continues to be in ISSUER NOT COOPERATING category	April 11, 2025

Any other information: None

Rating history for past three years

Current rating (FY2026)			Chronology of rating history for the past 3 years						
			FY2025		FY2024		FY2023		
Instrument	Type	Amount rated (Rs. crore)	Jul 24, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash Credit	Long-term	3.00	[ICRA]BBB+ (Stable)	Jun-04-24	[ICRA]BBB+ (Stable)	Jun-05-23	[ICRA]BBB+ (Stable)	Jun-20-22	[ICRA]BBB+ (Stable)
Non-fund Based – Bank Guarantee	Short-term	51.00	[ICRA]A2	Jun-04-24	[ICRA]A2	Jun-05-23	[ICRA]A2	Jun-20-22	[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash Credit	Simple
Short-term – Non-fund based – Bank Guarantee	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 – Cash Credit	-	-	-	3.00	[ICRA]BBB+ (Stable)
NA	Short-term – Non-fund Based – Bank Guarantee	-	-	-	51.00	[ICRA]A2

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	CLPL ownership	Consolidation approach
Kaustubha Scientific Research Laboratory Private Limited	-	Full Consolidation

Source: Company

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