

August 13, 2025

Natural Biogenex Private Limited: Ratings downgraded to [ICRA]BB (Stable)/ [ICRA]A4

Summary of rating action

Instrument [^]	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based-Term Loan	48.00	48.00	[ICRA]BB (Stable); downgraded from [ICRA]BB+ (Stable)
Long Term - Fund Based – Cash Credit	16.00	16.00	[ICRA]BB (Stable); downgraded from [ICRA]BB+ (Stable)
Short Term – Non-Fund Based	6.00	6.00	[ICRA]A4; downgraded from [ICRA]A4+
Total	70.00	70.00	

[^] Instrument details are provided in Annexure-I

Rationale

The downgraded ratings reflect the slow ramp-up of operations of the active pharmaceutical ingredient (API) plant, which is being set up under Natural Biogenex Private Limited (NBPL). The API facility obtained the Consent for Operation (CFO) and Authorization from the Karnataka State Pollution Control Board on January 13, 2025, following which it commenced commercial production. The ramp-up of the facility has, however, remained slow, with NBPL reporting revenues of around Rs. 1 crore in Q1 FY2026, with operating and cash losses. The management expects the pickup in capacity utilisation from H2 FY2026, although this remains to be seen.

Further, in the initial phase, NBPL will manufacture APIs from advanced intermediates, which will be imported, exposing NBPL to raw material price volatility as well as foreign exchange (forex) fluctuation risks. The ratings, however, take comfort from NBPL's parent entity, Natural Capsules Limited's (NCL), established presence in the empty hard gelatin capsule (EHGC) manufacturing industry, its promoters' extensive experience in the pharmaceutical industry and the company's diversified client profile.

Moreover, NBPL has received funding from private equity (PE) investors, Somerset Indus Healthcare, as well as high net worth individuals (HNIs), apart from bank debt, resulting in low funding risk for its greenfield API project. There is a healthy demand for steroidal APIs in the domestic market with limited local production, thus supporting NBPL's prospects. Also, NBPL has been selected for the Government's Production Linked Incentives (PLI) scheme for bulk drugs, although this is subject to its ability to ramp up the operations.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will benefit from the promoters' relationships with prospective clients and the favourable demand outlook for pharmaceutical products in the medium-to-long term.

Key rating drivers and their description

Credit strengths

Experience of promoters in the pharmaceutical space; strengths as part of NCL Group – NBPL was set up as a wholly-owned subsidiary of NCL for manufacturing APIs. Subsequently, NBPL raised funds from a PE investor, Somerset Indus Healthcare and HNIs for its greenfield project, diluting NCL's stake to 69.23% in NBPL. NCL is a leading player in the empty capsule segment in India, with a diversified and reputed client profile. NCL is owned and managed by the Mundra family, who have extensive

experience of three decades in the pharmaceutical industry. There are strong managerial and financial linkages between NBPL and NCL.

Favourable demand outlook for steroidal APIs – Steroidal APIs, primarily used for anti-inflammatory and anti-infective formulations, is a leading pharmaceutical segment in India. However, most steroidal APIs are directly imported, primarily from China. NBPL was one of the companies selected under the Government’s PLI scheme for manufacturing steroidal APIs, mainly betamethasone, dexamethasone and prednisolone, for the FY2024-FY2029 period. The favourable demand for these APIs and limited competition from domestic players will support the NBPL’s business prospects.

Credit challenges

Slower-than-projected ramp-up of API plant – The API facility in NBPL was initially expected to commence operations from August 2023. However, it obtained the CFO from Karnataka State Pollution Control Board on January 13, 2025, following which it commenced commercial production, albeit at a lower scale since March 2025. Ramp-up in the same has been slow, with the company yet to fully commercialise the plant. At present, the company is conducting stability studies and hence, the plant is operating at sub-optimal capacity utilisation levels. The management expects the pickup in capacity utilisation largely from H2 FY2026, although this remains to be seen.

Weak credit metrics in near to medium term, pending ramp up of cash flows – NBPL has availed Rs. 48 crore of term loans on its books and the repayments have commenced from H2 FY2024. NBPL is also expected to incur losses in the initial year, which will necessitate additional funding requirements. ICRA expects NCL to support the funding requirements of NBPL. NCL’s financial profile remained under pressure in FY2025 due to pricing pressures in the gelatin capsules business. While the pricing pressures in the base business have eased in YTD FY2026, owing to the slow ramp-up in the API plant, the financial profile is expected to further weaken in FY2026.

Exposure to raw material price volatility and forex fluctuations – In the pilot phase, NBPL will manufacture APIs from the advanced intermediates, which would be imported, exposing NBPL to raw material price volatility as well as forex fluctuation risks. NBPL is expected to backward integrate across the complete value chain of steroidal API manufacturing, which will help reduce such risks in the medium term.

Liquidity position: Stretched

NBPL’s liquidity position remains stretched, as the company is currently incurring operating losses and is dependent on its parent entity, NCL, for debt servicing pending the ramp-up of its own cash flows. The funding for the Phase-2 fermenter involves capex of Rs. 10-12 crore to be incurred in FY2026, which is expected to be funded through incremental term debt of fresh equity. NBPL has a debt repayment obligation of around Rs. 5.0 crore in FY2026.

Rating sensitivities

Positive factors – The rating could be upgraded if the company is able to demonstrate a sustained and healthy scale up in the revenues and profitability. Improvement in credit profile of parent will also be considered favorably.

Negative factors – Negative pressure on the ratings could arise if slow ramp up in operations or higher-than-anticipated capex results in substantial weakening of the company’s liquidity position and credit metrics. The ratings could also move downwards in case of weakening of NBPL’s linkages with the parent or weakening of parent’s credit profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Pharmaceuticals
Parent/Group support	ICRA expects Natural Capsules Limited, which holds 69.23% in NBPL, to provide need-based funding support to NBPL

Consolidation/Standalone	Standalone
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About the company

NBPL was incorporated on 23 August 2020 as a wholly owned subsidiary of NCL, with the specific intention of entering into the steroidal API manufacturing business. Subsequently, NBPL raised funds from a PE investor, Somerset Indus Healthcare and HNIs for its greenfield project, diluting NCL's stake to 69.23% in the entity.

NBPL has set up a greenfield API facility in Tumkur (Karnataka) and will manufacture steroidal APIs, namely prednisolone, betamethasone, dexamethasone and hydrocortisone. NBPL is selected for PLI scheme for bulk drugs and can avail PLI incentives over FY2024-FY2029. The production committed by NBPL under the PLI scheme is 15 metric tonne (MT) of prednisolone, 12 MT betamethasone and 10 MT dexamethasone.

Key financial indicators: Not applicable as it is a project company

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years						
	Type	Amount Rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based-Term loans	Long-term	48.00	13-Aug-2025	[ICRA]BB (Stable)	26-Nov-2024	[ICRA]BB+ (Stable)	22-Aug-2023	[ICRA]BBB- (Stable)	-	-
Fund Based-Cash Credit	Long-term	16.00	13-Aug-2025	[ICRA]BB (Stable)	26-Nov-2024	[ICRA]BB+ (Stable)	22-Aug-2023	[ICRA]BBB- (Stable)	-	-
Non-fund based – Working capital facilities	Short term	6.00	13-Aug-2025	[ICRA]A4	26-Nov-2024	[ICRA] A4+	22-Aug-2023	[ICRA]A3	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund Based-Term Loan	Simple
Long Term - Fund Based – Cash Credit	Simple
Short Term – Non-Fund Based	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	FY2022	9.0-9.5%	FY2032	48.00	[ICRA]BB (Stable)
NA	Cash Credit	NA	9.0-9.5%	NA	16.00	[ICRA]BB (Stable)
NA	Non-Fund Based working capital facilities	NA	NA	NA	6.00	[ICRA]A4

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

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