

September 25, 2025

Allchem Lifescience Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term Fund-based – Term Loan	74.60	74.60	[ICRA]BBB- (Positive); reaffirmed
Long term /Short term – Fund-based/ Non Fund based- Working Capital	40.50	40.50	[ICRA]BBB- (Positive)/[ICRA]A3; reaffirmed
Long term/ Short term-unallocated	1.90	1.90	[ICRA]BBB- (Positive)/[ICRA]A3; reaffirmed
Total	117.00	117.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation continues to consider Allchem Lifescience Limited's (Allchem/ the company) established track record in the intermediates space in addition to the extensive experience of its promoter in the pharmaceutical industry. The company has over 150 customers, which include reputed pharmaceutical companies like Lupin Limited, Laurus Labs, Sun Pharma, Dr Reddy's Labs, Alembic Pharma, etc. Allchem has developed strong relationships with its customers, ensuring repeat orders, in turn supporting its business prospects. The company's customer diversification remains healthy with the top-10 customers accounting for around 61% of the revenues in FY2025. The company has developed and commercialised a product portfolio encompassing over 400 molecules, which include drug intermediates and specialty chemicals with the top-10 products contributing around 67% to the revenues in FY2025. The company also commercialized 11 new products in FY2025, expanding its overall portfolio.

The company recently completed its capacity expansion project and commenced commercial operations for the same, resulting in the manufacturing capacity increasing from 55 Metric Ton Per Month (MTPM) to 180 MTPM. The capex was funded through combination of internal accruals and debt. Going forward, the company's ability to ramp up operations for the enhanced capacity will be a key monitorable.

The company's revenue grew 9.8% year on year to Rs. 151.5 crore in FY2025 mainly on the back of volume growth supported by newly added products and expanded capacity. The growth slowed down as compared to FY2024 (year-on-year growth of around 25.0%) due to decline in the realization for top products given the correction in raw material prices. The company's operating margin improved by 517 bps to 43.5% in FY2025 supported by favourable product mix due to increased revenue contribution from high-margin intermediates for innovator molecules and speciality chemicals combined with the operational leverage and economies of scale provided by the expanded capacity. The margins were also supported by several strategic initiatives such as availing discounts through early payment to suppliers, automation etc. ICRA notes that the company is currently in the process of setting up a solar power plant with capacity of 5 megawatt which is expected to reduce the power expenses for the company substantially. The project is expected to commence operations by October 2025. Going forward, the company is expected to maintain its revenue growth supported by repeat orders from the existing customers and ramp up of operations in the incremental capacity. The company's margins are also expected to be the savings from the solar power plant once operations at the same commence.

The ratings are, however, constrained by the moderate scale of the company's operations, restricting its operational flexibility to a certain extent. With the commencement of commercial operations of the expanded capacity, the scale is expected to improve, going forward. The company witnessed a sharp increase in its working capital intensity to 52.3% in FY2025 (from 24.0% in FY2024) as it strategically increased its inventory level in line with the expanded capacity. While the higher inventory

will help the company to cater to larger purchase orders and reduce the turnover time to the customers, movement in working capital intensity will be a key monitorable going forward.

The company has availed incremental term debts for its capacity expansion and setting up the solar power plant. Despite increased debt, TD/OPBDITA and gearing remained steady to 2.0 times and 1.2 times respectively as on March 31, 2025 on the back of healthy accruals from improved margins. However, interest coverage ratio declined to 6.3 times in FY2025 as compared to 8.3 times in FY2024 on account of higher interest cost from the increased debt levels. Similarly, DSCR declined to 3.5 times in FY2025 from 5.3 times in FY2024 due to higher scheduled repayments. Going forward, timely ramp up of the expanded capacity will remain a key monitorable.

ICRA notes that Allchem operates in a very competitive industry, exposing it to pricing pressure, which can affect its margins. API manufacturers, which are the end customers for the company, are subject to regulatory oversight, and thus, the company is also expected to maintain a high level of quality standard in its operations. Allchem's profitability also remains exposed to adverse volatility in raw material prices and forex rates. The company is a net exporter and does not have any hedging policy in place.

ICRA notes that the company filed its DRHP with SEBI for its IPO on March 13, 2025. It has received approval from shareholders, stock exchange and SEBI for the same.

The Positive outlook on the long-term rating reflects ICRA's expectations of improvement in the company's credit profile supported by healthy earnings and improvement in debt metrics supported by ramp up of operations at the expanded capacity.

Key rating drivers and their description

Credit strengths

Strong promoter background and established track record of the company in manufacturing drug intermediates – Mr. Bipin Patel is the founder and promoter of the company and has over two decades of experience in the pharmaceutical industry. He has been actively involved with the company's core operations and was instrumental in diversifying its product portfolio. Allchem has an established track record of manufacturing drug intermediates, which are well received by its customers.

Strong relationships with customers ensure repeat orders; diversified product portfolio – The company's proven capabilities have enabled it to secure orders from reputable clients such as Lupin Limited, Laurus Labs, Dr. Reddy's Laboratories, Sun Pharmaceutical Industries Limited among others. The company's customer diversification remains healthy with revenue from the top-10 customers at around 61% during FY2025 (around 65.5% in FY2024). At present, the company has a diverse product portfolio consisting of over 400 molecules, including chemicals, drug intermediates and specialty chemicals, with top-10 molecules contributing around 67% to the revenues in FY2025 (around 72% in FY2024).

Technical competence to develop new chemical intermediates and update product offerings – Since its incorporation as a proprietorship firm in 2003, the company spent almost a decade on research and development, enabling it to develop more than 250 intermediates, before commencing commercial production in 2013. At present, the company has a product portfolio of over 400 molecules and has a wide spectrum of reaction capabilities that can be combined to create new intermediates and update its product offerings on a regular basis, thereby supporting its business prospects. In FY2025, the company commercialized 11 new products as part of its portfolio, which contributed to an increase in turnover. These products are being supplied to the same customer base; however, where the company previously offered a single product or few products, it now provides a broader range of product offerings. The company's broad product portfolio helps to strengthen customer relationships and support business prospects going forward.

Steady revenue growth and robust margins over the last few years – The company commenced commercial production in 2013 with a capacity of 15 MTPM, producing small batches of intermediates. It expanded its capacity to 55 MTPM in FY2019 and to 180 MTPM in FY2025. With the expanding capacity, the company has also improved its operational leverage and introduced economies of scale to improve operating margin year-on-year sequentially from 17.5% in FY2020 to 43.5% in FY2025. Further, the company is involved in custom synthesis of niche products, allowing it to pass on the raw material price increase to its customers, which has helped the company expand its margins even during an inflationary environment.

Credit challenges

Moderate scale of operations, restricting operational flexibility to a certain extent – The company's scale of operations remains moderate, restricting its operational flexibility and the benefits from the economies of scale to a certain extent. However, with the ramp up of commercial operations for the expanded capacity, the scale is expected to improve, going forward.

Operates in a highly competitive and regulated industry – The company operates amid intense competition, exposing it to pricing pressure, which can impact its margins. However, the company's established relationships with customers and longer time required to get suppliers approved in Drug Master File (DMF) filing by the API manufacturers, help mitigate the competition to certain extent. API manufacturers, which are the end customers for the company, are subject to regulatory oversight, and thus, the company is also expected to maintain high level of quality standards in its operations.

Increase in debt levels and high working capital intensity in FY2025 – In January 2021, the company commenced its capacity expansion to increase its capacity to 180 MTPM from 55 MTPM. The total project cost for the same was Rs. 128.8 crore and it was funded through a combination of internal accruals and term loan from banks. The company has also availed term debt for setting up the solar power plant. As a result, the company's total debt increased to Rs. 129.8 crore as on March 31, 2025 (Rs. 105.8 crore as on March 31, 2024). Despite increased debt, TD/OPBDITA and gearing remained steady to 2.0 times and 1.2 times respectively as on March 31, 2025 on the back of healthy accruals from improved margins. However, interest coverage ratio declined to 6.3 times in FY2025 as compared to 8.3 times in FY2024 on account of higher interest cost from the increased debt levels. Similarly, DSCR declined to 3.5 times in FY2025 from 5.3 times in FY2024 due to higher scheduled repayments. Going forward, timely ramp up of the expanded capacity will remain a key monitorable. The company witnessed a sharp increase in its working capital intensity to 52.3% in FY2025 (from 24.0% in FY2024) as it strategically increased its inventory level in line with the expanded capacity. While the higher inventory will help the company to cater to larger purchase orders and reduce the turnover time to the customers, movement in working capital intensity will be a key monitorable going forward.

Susceptible to fluctuations in raw material prices, foreign exchange rates – The company's profitability remains exposed to adverse volatility in raw material prices. Its export sales mix remained in the range of 30-40% in the last three years and being a net exporter, the margins are susceptible to forex volatility in the absence of any active hedging mechanism.

Liquidity position: Adequate

Allchem's liquidity position remains adequate, with an available working capital buffer of Rs. 24.4 crore against sanctioned limits of Rs. 40.5 crore as on July 31, 2025. Allchem's average working capital utilisation was around 35% of the average sanctioned limit of Rs.40.5 crore between August 2024 and July 2025. Allchem is expected to incur further capex of around Rs.10 crore in FY2026 mainly towards setting up a solar power plant. The capex is being funded through a combination of internal accruals and debt. The company has repayment obligations Rs. 16.8 crore in FY2026, Rs. 17.6 crore in FY2027 and Rs. 18.0 crore in FY2028 for its existing debt. Overall, ICRA expects the company to be able to meet its near-term commitments through healthy accruals from its business operations.

Rating sensitivities

Positive factors – ICRA could upgrade the company's ratings, in case of any significant increase in the scale of operations and net worth with improvement in liquidity position, while maintaining healthy profit margins and debt metrics.

Negative factors – Pressure on the ratings could arise, if there is any material deterioration in debt metrics and liquidity position, resulting in total debt/OPBDITA greater than 3.0 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	Standalone

About the company

Allchem Lifescience Limited (Allchem) manufactures intermediates for generic and soon-to-be off-patent innovator molecules, specialty chemicals and custom synthesis for customers in the pharmaceutical industry.

The company was established in 2003 (under the name of Allchem Laboratories) as a proprietorship concern by Mr. Bipin Patel with a small pilot plant. In 2017, it was converted into Allchem Lifescience Pvt. Ltd. Till 2013, the company mainly focused on R&D and product development and garnered ability to manufacture more than 250 intermediates. In 2013, the company commenced commercial production for already developed intermediates. With continuous focus on research and development, the company now has the ability to supply intermediates for more than 400 products/molecules. The company's plant is located in Vadodara, Gujarat, with current manufacturing capacity of 180 MTPM. The company manufactures intermediates, which are mainly used in antihypertensive, antidepressant and antipsychotic therapies. Allchem's plant is in Vadodara, Gujarat, and at present, it has 200+ employees and caters to 150+ customers.

Key financial indicators (audited)

Allchem Standalone	FY2023	FY2024	FY2025*
Operating income	110.4	138.0	151.5
PAT	20.3	23.4	23.6
OPBDIT/OI	29.8%	38.3%	43.5%
PAT/OI	18.4%	17.0%	15.6%
Total outside liabilities/Tangible net worth (times)	2.2	1.8	1.6
Total debt/OPBDIT (times)	3.0	2.0	2.0
Interest coverage (times)	18.4	8.3	6.3

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	Rating	Release Date
CARE	CARE BB-Stable/CARE A4; ISSUER NOT COOPERATING	September 23, 2024
BWR	BWR BB-/Stable/BWR A4; ISSUER NOT COOPERATING	April 03, 2025

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Sep 25, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based/Non Fund Based-Others	Long Tem/ Short Term	40.50	[ICRA]BBB-(Positive)/ [ICRA]A3	Jul 09, 2024	[ICRA]BBB-(Positive)/ [ICRA]A3	-	-	-	-
Unallocated-Unallocated	Long Tem/ Short Term	1.90	[ICRA]BBB-(Positive)/ [ICRA]A3	Jul 09, 2024	[ICRA]BBB-(Positive)/ [ICRA]A3	May 18, 2023	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-
Fund Based-Term Loan	Long Term	74.60	[ICRA]BBB-(Positive)	Jul 09, 2024	[ICRA]BBB-(Positive)	May 18, 2023	[ICRA]BBB-(Stable)	Oct 27, 2022	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
				-	-	-	-	Mar 28, 2023	[ICRA]B+ (Stable) ISSUER NOT COOPERATING; withdrawn
Fund Based-Cash Credit	Long Term			-	-	-	-	Oct 27, 2022	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
				-	-	-	-	Mar 28, 2023	[ICRA]B+ (Stable) ISSUER NOT COOPERATING; withdrawn
Fund Based-Cash Credit	Short Term			-	-	May 18, 2023	[ICRA]A3	Oct 27, 2022	[ICRA]A4 ISSUER NOT COOPERATING
				-	-	-	-	Mar 28, 2023	[ICRA]A4 ISSUER NOT COOPERATING; withdrawn
Interchangeable-Others	Short Term			-	-	-	-	Oct 27, 2022	[ICRA]A4 ISSUER NOT COOPERATING
				-	-	-	-	Mar 28, 2023	[ICRA]A4 ISSUER NOT COOPERATING; withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term Fund-based – Term Loan	Simple
Long term /Short term – Fund-based/ Non Fund based- Working Capital	Simple
Long term/ Short term-unallocated	Not Applicable

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 Loan	FY2022	9.0-9.5%	FY2032	74.60	[ICRA]BBB-(Positive)
NA	Fund-based/ Non Fund based- Working Capital	NA	NA	NA	40.50	[ICRA]BBB-(Positive)/[ICRA]A3
NA	Unallocated	NA	NA	NA	1.90	[ICRA]BBB-(Positive)/[ICRA]A3

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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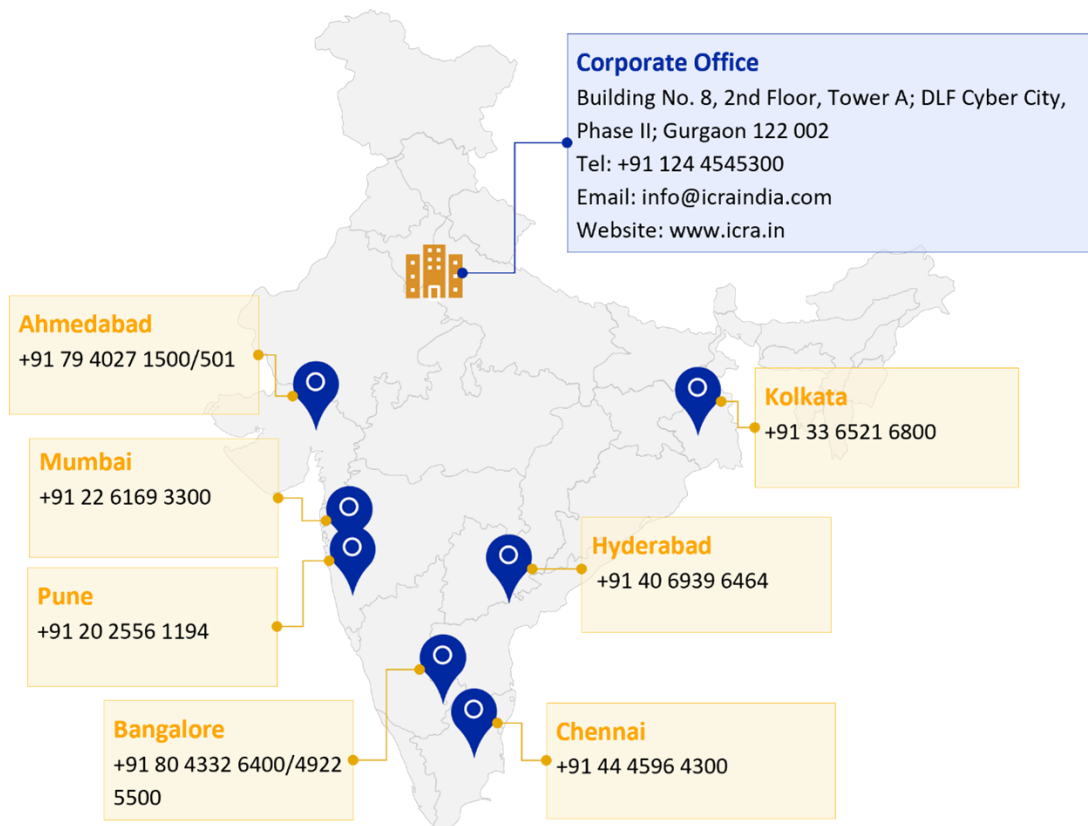
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