

September 30, 2025

## Sri Krishna Pharmaceuticals Ltd.: Ratings downgraded to [ICRA]BBB (Stable)/[ICRA]A3+ from [ICRA]BBB+ (Stable)/[ICRA]A2

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	56.51	36.97	[ICRA]BBB (Stable); downgraded from [ICRA]BBB+ (Stable)
Long-term – Fund-based working capital facilities	168.00	163.00	[ICRA]BBB (Stable); downgraded from [ICRA]BBB+ (Stable)
Long Term/Short Term – Fund-based working capital facilities	40.00	40.00	[ICRA]BBB (Stable)/[ICRA]A3+; downgraded from [ICRA]BBB+ (Stable)/ [ICRA]A2
Long-term/short-term - non-fund based working capital facilities#	(109.00)	(109.00)	[ICRA]BBB (Stable)/[ICRA]A3+; downgraded from [ICRA]BBB+ (Stable)/ [ICRA]A2
Long-term/short-term- Unallocated Limits	9.99	19.53	[ICRA]BBB (Stable)/[ICRA]A3+; downgraded from [ICRA]BBB+ (Stable)/ [ICRA]A2
<b>Total</b>	<b>274.50</b>	<b>259.50</b>	

\*Instrument details are provided in Annexure-I; #sub-limit of fund-based working capital facilities

### Rationale

The downgrade of Sri Krishna Pharmaceuticals Ltd.'s (SKPL) ratings factors in the extension of corporate guarantee to a promoter group entity, which is currently in the nascent stages of operations. The ratings also take into account the moderate financial profile and the stretched debt coverage metrics of the company at a consolidated level. While SKPL operates in the manufacturing and sale of active pharmaceutical ingredient (API) and directly compressible (DC) granules, it continues to derive a significant portion of its revenue from paracetamol, which are exposed to fluctuations of input prices in the past few years, with revenues contracting in FY2024 and FY2025 due to volatility in raw material prices.

The ratings continue to factor in SKPL's established operational track record as a leading supplier of paracetamol API and DC granules. The company has an established presence in the domestic market and various export markets like the US, the EU, Latin America and West Asia, among others. The ratings also consider the robust customer base in both domestic and global markets. The company has long relationships with its key Chinese suppliers, though it remains dependent on them. However, SKPL is actively working towards alternate vendor development and onboarding new suppliers from other regions.

In FY2025, SKPL witnessed revenue contraction on account of a decline in realisations of its key product, paracetamol. The overall revenue during FY2025 stood at Rs. 588.2 crore, resulting in a decline of 15.7% compared to Rs. 607.8 crore in FY2024. ICRA expects revenue growth to be healthy in FY2026, largely driven by improved performance in the tablet contract manufacturing segment and paracetamol API and DC granules, supported by expanded production capacity. At the consolidated level, the operating profit margin (OPM) improved to 5.0% in FY2025 from 3.5% in FY2024 (adjusted for grant received from the Government under the production linked incentive [PLI] scheme), primarily supported by higher contract manufacturing volumes, which enhanced the operating leverage and the overall operational efficiency. ICRA expects further margin improvement in FY2026, supported by input price stabilisation.

The ratings, however, are constrained by the company's high working capital intensity, which stood at 31% in FY2025, in line with past trends. The company's limited product diversification and high dependence on a few molecules (paracetamol and folic acid), expose it to intense market competition. Additionally, SKPL's profitability remains vulnerable to raw material price

volatility and competition within the industry. As of March 31, 2025, the company's consolidated debt stood at Rs. 257.3 crore, including unsecured loans from promoters. High debt level combined with operating losses incurred by the Group company (Clonz Biotech), resulted in stretched debt coverage metrics of TD/OPBDITA at 8.7 times as on March 31, 2025, against 7.0 times as on March 31, 2024. While ICRA expects the debt metrics of the company to improve to a certain extent, supported by the increase in OPBDITA driven by stabilising raw material costs and better operational efficiency, the debt metrics will continue to remain stretched. Further, any additional financial support extended to Group companies that adversely impacts the debt metrics or liquidity position will remain a key monitorable.

Further, SKPL's profitability remains vulnerable to forex fluctuations as it imports a significant proportion of its raw materials. However, this is mitigated by its exports driven revenue base, providing a natural hedge. The company's operations also remain exposed to regulatory risks arising out of scrutiny from various regulatory agencies.

The Stable outlook on the long-term rating reflects ICRA's expectation that SKPL is likely to sustain its established market position in key product segments and comfortable financial profile even as its operating margins may continue to be impacted to a certain extent due to nascent stage of operations of Clonz Biotech.

## Key rating drivers and their description

### Credit strengths

**Established presence in key product segments** – SKPL has a demonstrated track record of five decades in the domestic paracetamol business and a strong market position. It is one of the largest producers of paracetamol in India, with an installed capacity of 12,000 MTPA. It is also one of the largest producers of food and pharma-grade folic acid in Asia. Further, SKPL's key facilities are approved by the regulatory authorities of key developed markets including the US, Europe and Australia, among others, lending comfort to the company's processes and systems. The company has completed setting up a neutraeuticals unit to diversify its product base. Further, Clonz Biotech has also set up a biosimilars manufacturing facility, which is yet to commence operations.

**Healthy geographical and customer diversification** – SKPL derived around 75% of its revenues from various export markets in FY2025 (up from 70% in FY2024). The company's sales are diversified across customers, with the top 10 customers accounting for around 44% of sales in FY2025. Over the years, it has developed relationships with leading domestic pharma majors, resulting in recurring orders from its customers. SKPL's presence across customers and geographies reduces the risks arising from region/customer-specific demand concerns.

### Credit challenges

**Stretched debt metrics** – As of March 31, 2025, the company's consolidated debt stood at Rs. 257.3 crore, including unsecured loans from promoters. High debt levels coupled with operating losses incurred by Clonz Biotech, resulted in stretched debt coverage metrics, wherein the company's consolidated TD/OPBDITA stood at 8.7 times as on March 31, 2025, compared to 7.0 times as on March 31, 2024. SKPL plans to undertake a capex of around Rs. 20-25 crore for FY2026 majorly for capacity expansion and maintenance capex. ICRA notes that the capex will be funded through a mix of internal accruals and debt to some extent. Going forward, ICRA expects the company's debt metrics to remain stretched on account of the moderate profitability metrics at SKPL and continued operating losses at Clonz Biotech. However, any additional financial support extended to Group companies that adversely affects the debt metrics or liquidity position will remain a key monitorable.

**Exposure to raw material price fluctuations** – The company procures PAP, the primary raw material for paracetamol API, from established players in China, which reflects import dependence. However, ICRA notes that SKPL has made efforts to diversify its supplier base and has also started procuring PAP from Cambodia. The PAP prices remained elevated until Q1 FY2023 and have been on a declining trend since then. Further, the demand for paracetamol normalised post Covid, which adversely impacted both volume growth and overall realisations of paracetamol in FY2024 and FY2025. ICRA understands that PAP prices

have stabilised over the past few quarters and are expected to remain at similar level, going forward. The company also remains exposed to foreign currency fluctuations to an extent.

**Limited product diversification; investment in biosimilars yet to yield results** – SKPL’s revenues continue to be significantly dependent on its top two products, paracetamol and folic acid, which accounted for over 60-70% of its sales in the last three fiscals. SKPL is actively working on reducing its concentration risk on paracetamol by ramping up folic acid, ibuprofen, furosemide, domperidone and formulations going forward, along with a strategic foray into the nutraceuticals segment. Further, SKPL has extended a corporate guarantee to Clonz Biotech, a promoter group entity, for setting up a biosimilars manufacturing facility. This facility is currently in the nascent stage of operation and is yet to commence operations.

**High working capital intensity** – The company’s consolidated working capital intensity has remained high in the past fiscals in the range of 30-33% as the major raw material (PAP) is procured from Chinese suppliers through advance payments and higher inventory levels being maintained by the company. The NWC/OI stood at 31.0% in FY2025 and ICRA expects the same to remain high, going forward.

### Liquidity position: Adequate

SKPL’s liquidity position is adequate. The company’s utilisation of its working capital limits stood at an average of around 81% over 12 months ending in July 2025. The company has repayment obligations of Rs. 19.2 crore in FY2026 and Rs. 16.80 crore in FY2027. The company has free cash and cash equivalents of Rs. 26.4 crore as on March 31, 2025, and available undrawn fund-based working capital limits of Rs. 39.5 crore as of July 2025. ICRA expects the company to fund its capex plans partially through debt and internal accruals, going forward.

### Rating sensitivities

**Positive factors** – The ratings can be upgraded on the company’s ability to improve its profitability thereby leading to improvement in its credit metrics, on a sustained basis.

**Negative factors** – Pressure on the ratings could arise if there is a material weakening in the earnings or higher-than-expected debt-funded capex results in a further deterioration in the company’s credit metrics.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Pharmaceuticals</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SKPL, which includes Clonz Biotech Pvt Ltd (Clonz, a promoter group company). The change in approach from standalone to consolidated financials follows extension of a corporate guarantee from SKPL to Clonz.

### About the company

Sri Krishna Pharmaceuticals Ltd., promoted in 1974 by Dr. V. V. Subba Reddy and family, manufactures bulk drugs and DC granules. At present, the company has five manufacturing units, of which four units are based in and around Hyderabad (Uppal, Nacharam, Bollaram and Shamshabad) and one in Solapur, Maharashtra. SKPL’s key products include paracetamol API as well as formulations, folic acid and domperidone. Clonz Biotech Private Limited, a promoter group company incorporated in 2009, manufactures biosimilar therapeutic monoclonal antibodies. The promoters of SKPL holds significant interest in Clonz. It has established a biosimilar manufacturing facility, which is yet to commence operations.

## Key financial indicators

	Standalone (Audited)		Consolidated (Unaudited)	
	FY2024	FY2025	FY2024	FY2025
<b>Operating income</b>	698.3	588.2	698.3	588.2
<b>PAT</b>	8.8	13.8	8.5	7.9
<b>OPBDITA/OI</b>	6.8%	6.3%	5.7%	5.0%
<b>PAT/OI</b>	1.3%	2.4%	1.2%	1.4%
<b>Total outside liabilities/Tangible net worth (times)</b>	1.0	0.9	1.4	1.4
<b>Total debt/OPBDITA (times)</b>	4.2	4.3	7.0	8.7
<b>Interest coverage (times)</b>	3.7	2.8	3.1	2.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. Crore; PAT: Profit after tax; OPBDITA; 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	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
1 Term loans	Long-term	36.97	[ICRA]BBB (Stable)	Jul 12, 2024	[ICRA]BBB+ (Stable)	-	-	Mar 20, 2023	[ICRA]BBB+ (Stable)
				Jun 28, 2024	[ICRA]BBB+ (Stable)	-	-	Oct 31, 2022	[ICRA]BBB+ (Stable)
2 Fund-based working capital facilities	Long-term	163.00	[ICRA]BBB (Stable)	Jul 12, 2024	[ICRA]BBB+ (Stable)	-	-	Mar 20, 2023	[ICRA]BBB+ (Stable)
				Jun 28, 2024	[ICRA]BBB+ (Stable)	-	-	Oct 31, 2022	[ICRA]BBB+ (Stable)
3 Non-fund-based working capital facilities	Short-term	-	-	-	-	-	-	Mar 20, 2023	[ICRA]A2
				-	-	-	-	Oct 31, 2022	[ICRA]A2
4 Fund-based working capital facilities	Long-term/Short-term	40.00	[ICRA]BBB (Stable)/[ICRA]A3+	Jul 12, 2024	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-
5 Non-fund-based working capital facilities	Long-term/Short-term	(109.00)	[ICRA]BBB (Stable)/[ICRA]A3+	Jul 12, 2024	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	Mar 20, 2023	[ICRA]BBB+ (Stable)/[ICRA]A2
				Jun 28, 2024	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-
6 Unallocated Limits	Long-term/Short-term	19.53	[ICRA]BBB (Stable)/[ICRA]A3+	Jul 12, 2024	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-
				Jun 28, 2024	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term – Fund-based working capital	Simple
Long-term/Short-term - Fund-based working capital	Very simple
Long-term/Short-term – Non-fund based working capital	Very simple
Long-term/Short-term – Unallocated Limits	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	NA	FY2027	36.97	[ICRA]BBB (Stable)
NA	Fund-based working capital limits	NA	NA	NA	163.00	[ICRA]BBB (Stable)
NA	Fund-based working capital limits	NA	NA	NA	40.00	[ICRA]BBB (Stable) / [ICRA]A3+
NA	Non-fund-based working capital limits	NA	NA	NA	(109.00)	[ICRA]BBB (Stable) / [ICRA]A3+
NA	Unallocated limits	NA	NA	NA	19.53	[ICRA]BBB (Stable) / [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**

Company Name	Ownership	Consolidation approach
Clonz Biotech Private Limited	NA	Consolidated

Note: ICRA has taken a consolidated view of the above mentioned companies while assigning the ratings

## ANALYST CONTACTS

**Jitin Makkar**

+91 124 4545 368

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

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Mythri Macherla**

+91 22 6114 3435

[mythri.macherla@icraindia.com](mailto:mythri.macherla@icraindia.com)

**Kesavulu Mannaru**

+91 80 4332 6434

[kesavulu.mannaru@icraindia.com](mailto:kesavulu.mannaru@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)

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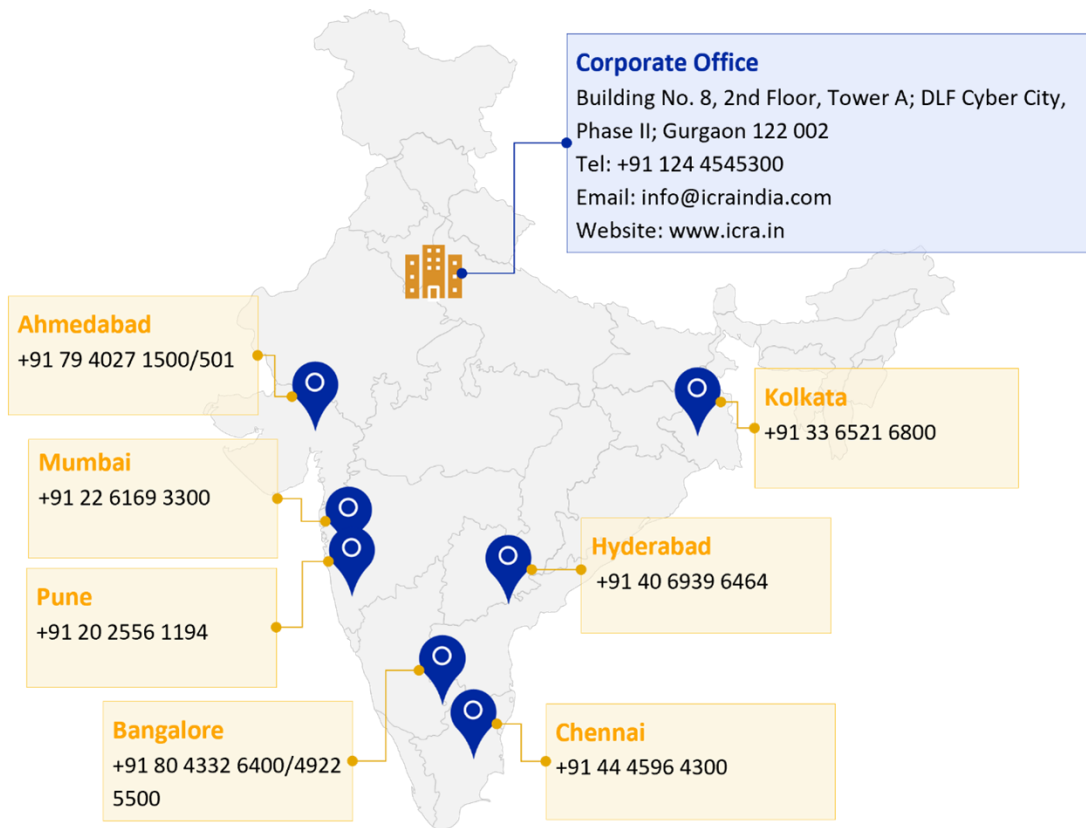
### Registered Office

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

Tel: +91 11 23357940-45



### Branches



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