

December 31, 2025

HealthCaps India 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	50.00	50.00	[ICRA]A-(Stable); reaffirmed
Long-term – Fund based – Term loans	55.49	30.87	[ICRA]A-(Stable); reaffirmed
Long-term – Fund based – Working capital term loans	9.56	6.29	[ICRA]A-(Stable); reaffirmed
Short-term – Non-fund based – Letter of credit	7.50	7.50	[ICRA]A2+; reaffirmed
Long-term/ Short-term – Unallocated limits	-	27.89	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Total	122.55	122.55	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation factors in HealthCaps India Limited's (HIL) established position as an empty capsule manufacturer in India, having long relationship with its customers across the gelatine capsule (empty hard gelatine capsules [EHGC]) and the relatively higher margin hydroxypropyl methylcellulose (HPMC) capsule segments along with the long experience of the promoters in this industry. The ratings also positively factor in the company's diversified presence across domestic as well as the regulated export markets, including the US and Europe. The ratings also factor in the favourable financial risk profile of the entity, as reflected by its healthy operating margin, a conservative capital structure and comfortable debt coverage indicators, which are expected to continue, going forward, despite an ongoing capex, which is partly funded through debt.

The ratings are, however, constrained by the high working capital intensity of operations on account of an elongated receivable cycle, coupled with moderately high inventory holding levels and a relatively moderate scale of operations. The company's profitability remains vulnerable to fluctuations in input prices and competitive pressure. Lower-than-expected demand resulted in reduced realisations, which in turn led to a moderation in the company's operating profit margin (OPM) in FY2025. However, the company's OPM improved to more than 20% in H1 FY2026 from around 16% in FY2025 due to softening in raw material costs and the profitability is expected to continue to remain healthy, going forward. Being a net exporter, HIL's profitability is exposed to foreign exchange (forex) fluctuation risk as well, though the same is mitigated to an extent as the company hedges 50-55% of its net forex exposure through forward cover. Besides, capsules as a product segment are at the risk of substitution from alternative/new drug delivery mechanisms, especially in the pharmaceutical industry.

The Stable outlook on the long-term rating factors in the company's significant presence in the high-margin HPMC capsule segment, favourable long-term demand outlook for the segment as well as the established relationships with its customers.

Key rating drivers and their description

Credit strengths

Established player in empty capsules industry with second largest domestic capacity; strong industry experience of the promoters – HIL is one of the leading manufacturers of empty capsules in India with an installed annual production capacity of around 19 billion capsules. The promoters have more than three decades of experience in the empty capsules segment. The company started with manufacturing EHGC and later diversified into HPMC capsules from FY2017. HIL scaled up its HPMC

capacity in the past few years owing to better realisations and margins compared to gelatine capsules. In FY2025, HPMC capsules contributed around 68% to the revenues while the rest came from gelatine capsules.

Geographically diversified customer base – The company has established relationships with a large customer base in the domestic and export markets, including the US and Europe. HIL caters to the US and European markets largely through its associate companies (AlfaCaps LLC in the US and HealthCaps Europe Ltd. in Europe). In FY2025, the company’s revenue was evenly generated from both export and domestic markets. However, imposition of tariff by the US in the current fiscal led to a sharp drop in export to the US and revenue from exports declined to around 38% in H1 FY2026. Nevertheless, the company achieved revenues of Rs. 115 crore in H1 FY2026, supported by encouraging demand from the domestic market.

Financial risk profile, characterised by healthy operating margin, a conservative capital structure and comfortable debt coverage indicators – HIL’s financial risk profile remains favourable, characterised by a healthy OPM, a conservative capital structure and healthy debt protection metrics, along with an adequate liquidity position, supported by consistent earnings from operations. Its gearing (total debt/tangible net worth) remained conservative at 0.3 times as on March 31, 2025, while the interest cover and total debt/OPBDITA stood at around 6.0 times and 1.8 times, respectively, in FY2025. Lower-than-expected demand resulted in reduced realisations, which in turn led to a moderation in the company’s OPM in FY2025. However, the company’s OPM improved to more than 20% in H1 FY2026 from around 16% in FY2025 due to softening in raw material costs. ICRA expects the company’s profitability to continue to remain healthy, going forward.

Credit challenges

Moderate scale of current operations – The company’s scale of operations continues to remain at a moderate level. In FY2025, HIL’s operating income fell by around 2% to Rs. 237 crore from Rs. 242 crore in FY2024 primarily due to moderation in realisations of both EHGC and HPMC capsules. In H1 FY2026, the company generated a total revenue of Rs. 114.7 crore compared to Rs. 115.4 crore in H1 FY2025, registering a nominal YoY decline while the OPM improved to around 20% in H1 FY2026 from around 16% in FY2025 primarily due to softening in the raw material costs. The company is expected to witness a demand recovery both in the domestic and the export markets in the medium term, supported by an expected ramp-up of gelatine capacities.

High working capital intensity with a long receivable period – HIL’s business has remained working capital intensive, and the working capital intensity has increased to 61% in FY2025 from 55% in FY2024 primarily due to reduction in the creditor days with receivable cycle continuing to remain high. Owing to HIL’s exposure to export markets, the working capital cycle remains elongated on account of high transit time and relatively higher credit period offered to export clients. ICRA notes that a large part of the export business is carried out through associate entities. The company is currently focusing on reducing its receivable cycle by increasing its focus on the domestic market, where the receivable cycle is relatively shorter. The company’s ability to improve its working capital position would remain a key rating sensitivity.

Margins vulnerable to fluctuations in raw material prices and forex rates – The company’s margins continue to remain dependent on the movement of raw material prices and realisations. In FY2025, the dip in overall realisations was higher than the decline in raw material costs, resulting in a drop in the OPM to around 16% from around 18% in FY2024. Nevertheless, softening in raw material costs in the current fiscal has resulted in an improvement in the OPM in H1 FY2026. Being a net exporter, HIL’s profitability is exposed to foreign exchange (forex) risk as well, though the same is mitigated to an extent as the company hedges 50-55% of its net forex exposure through forward cover.

Threat of substitutes due to technological advances in other drug delivery mechanisms, although favourable demand outlook in nutraceutical space for capsules – The company’s key product, empty capsules, is facing substitution risk from alternative drug delivery mechanisms such as tablets, injectables, etc., which can impact its global market share and growth rate. Generally, capsules have better bioavailability and masking properties over their closest oral substitutes, especially tablets. Capsules are preferred by consumers as it masks the medicinal taste and odour, although the shelf life is smaller. Thus, capsule manufacturers need to keep improving the quality of the capsules to meet the changing requirements of the pharmaceutical and nutraceutical industry.

Liquidity position: Adequate

HIL's liquidity remains adequate, with positive cash flow from operations over the past years and the same is expected to continue going forward. The buffer of Rs. 22.3 crore available in its working capital limits as on March 31, 2025, also provides some comfort to its liquidity. The company has annual debt repayment obligation of around Rs. 10 crore and Rs. 9.0 crore in FY2026 and FY2027, respectively. Further, the company has an ongoing capex plan of Rs. 20-25 crore, which would be completed by FY2026 and is partly financed by its cash flow from operations and partly by a term loan of around Rs. 17.5 crore. Although the company's cash flow from operations declined in FY2025 due to a significant increase in working capital requirements, ICRA expects the same to improve to above Rs. 30 crore in FY2026. The average utilisation of working capital limits has remained moderate with an average utilisation of 54% for the 6-month period ending on September 30, 2025, which further provides comfort.

Rating sensitivities

Positive factors – ICRA could upgrade HIL's ratings if there is a sustained and significant scale-up in its revenues, while maintaining its profitability and coverage metrics along with a significant reduction in the working capital cycle.

Negative factors – Pressure on HIL's ratings could arise in case of a sharp deterioration in its revenue and earnings, or a material elongation in the working capital cycle, affecting its liquidity. A specific credit metric for ratings downgrade would be DSCR below 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
Consolidation/Standalone	Standalone

About the company

Incorporated in 1982, HealthCaps India Limited (HIL) is a promoter held company involved in manufacturing of empty capsules. The company started with manufacturing EHGC and later diversified into manufacturing of HPMC capsules from FY2017 to cater to the growing demand from the pharmaceutical and nutraceutical industries due to changing consumer preferences. The company sells capsules in both domestic and international markets such as the US, Europe, Africa and the Middle East.

The manufacturing facility of the company is in Nawanshahar district, Punjab. HIL has sales offices in Delhi, Mumbai and Mohali. As of March 31, 2024, the company had total operational capacity of ~18 billion capsules per annum (BCPA). It manufactures capsules in sizes of 00, 0, 1, 2, 3 and 4. HIL has a diversified customer base of over 400 clients in more than 60 countries across the world.

Key financial indicators (audited)

HealthCaps India Limited	FY2024	FY2025	H1 FY2026*
Operating income	242.3	236.9	114.7
PAT	21.5	25.6	12.4
OPBDIT/OI	18.1%	15.9%	20.2%
PAT/OI	8.9%	10.8%	10.8%
Total outside liabilities/Tangible net worth (times)	0.9	0.6	0.7
Total debt/OPBDIT (times)	2.0	1.8	1.1
Interest coverage (times)	5.8	6.0	8.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Unaudited numbers

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	Type	Amount rated (Rs. crore)	Current ratings (FY2026)		Chronology of rating history for the past 3 years			
			Date & rating in FY2026		Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
			Dec 31, 2025	Sep 23, 2025	Nov 28, 2024	Sept 29, 2023	Aug 17, 2022	
1	Cash credit	Long-term	50.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
2	Term loan	Long-term	30.87	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
3	Working capital term loan	Long-term	6.29	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
4	Letter of credit	Short-term	7.50	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+
5	Unallocated limits	Long-term/ Short-term	27.89	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Cash credit	Simple
Long-term – Fund based – Term loans	Simple
Long-term – Fund based – Working capital term loans	Simple
Short-term – Non-fund based – Letter of credit	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	Cash credit	NA	8.0-8.5%	NA	50.00	[ICRA]A-(Stable)
NA	Term loans	FY2019	8.0-8.5%	FY2027	30.87	[ICRA]A-(Stable)
NA	Working capital term loans	FY2021	9.25%	FY2027	6.29	[ICRA]A-(Stable)
NA	Letter of credit	NA	NA	NA	7.50	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	27.89	[ICRA]A-(Stable)/ [ICRA]A2+

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

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
Jitinm@icraindia.com

Kinjal Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Sujoy Saha
+91 33 6521 6805
sujoy.saha@icraindia.com

Aditya Lade
+91 22 6114 3451
aditya.lade@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Naznin Prodhani
+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

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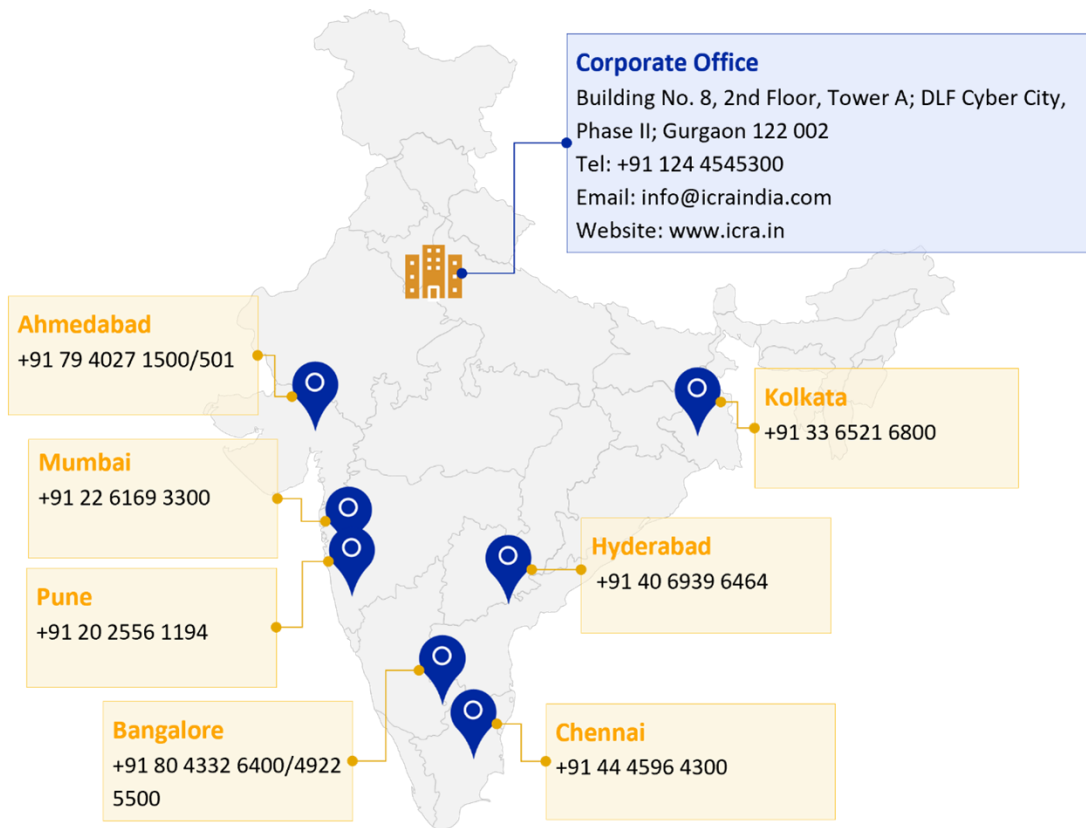
Registered Office

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

Tel: +91 11 23357940-45



Branches



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