

January 23, 2026

Bafna Pharmaceuticals Limited: Ratings reaffirmed; rated amount enhanced; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based - Term loans	23.46	25.87	[ICRA]BB+ (Positive); Reaffirmed; assigned for enhanced amount & outlook revised to Positive from Stable
Long-term fund-based - Cash Credit	16.50	20.00	[ICRA]BB+ (Positive); Reaffirmed; assigned for enhanced amount & outlook revised to Positive from Stable
Short-term non-fund-based facilities – Letter of credit	(5.00)	(5.00)	[ICRA]A4+; reaffirmed
Long-term – Unallocated	0.04	4.13	[ICRA]BB+ (Positive); Reaffirmed; assigned for enhanced amount & outlook revised to Positive from Stable
Total	40.00	50.00	

*Instrument details are provided in Annexure I

Rationale

The revision in outlook for the long-term rating of Bafna Pharmaceuticals Limited (BPL/Bafna) to Positive factors in the improvement in earnings in the current fiscal, driven by a favourable product mix as well as the anticipation that this trend will sustain, supporting its overall financial risk profile and credit metrics. ICRA expects the financial performance to continue over the near-to-medium term, supported by factors like favourable demand prospects for the lifestyle diseases segment, geographic diversification and established client relationships. BPL continues to focus on the lifestyle diseases segment, catering to diabetology, pain management and respiratory diseases, among others. The company supplies to regulated markets like the United Kingdom (UK) and Australia as well as multiple semi-regulated/unregulated markets like Philippines, Sri Lanka, Ethiopia, Ukraine, Nigeria and Tanzania, among others, which mitigates region-specific risks to an extent. In terms of customer profile, BPL enjoys established relationships with reputed pharmaceutical companies including Strides Pharma Science Limited, Tenshi Kaizen Private Limited and Relonchem Limited.

The company's operating income in FY2025 moderated by 4.6% year over year (YoY) to Rs. 148.2 crore, compared to Rs. 155.4 crore in FY2024 primarily on account of operational disruption due to breakdown of some machinery and regulatory audits. In H1 FY2026, its operating income decreased slightly by 4.8% YoY to Rs. 71.5 crore on account of the audit of its manufacturing facility, which disturbed production to some extent. Despite this, the company has been able to augment its margins, with operating profit margin improving to 9.2% in FY2025 from 9.0% in FY2024, and further to 15.1% in H1 FY2026, supported by a favourable product mix and execution of certain high-margin orders. ICRA also notes that BPL has comfortable debt metrics, with gearing of 0.4 times and total debt/OPBDITA of 1.6 times as on September 30, 2025. The steady demand for the company's products along with higher penetration in existing geographies and expansion into new markets are likely to support revenue growth over the near-to-medium term. The margins are also expected to remain healthy going forward, while debt metrics

are likely to continue being comfortable, with anticipated improvement in accruals in the absence of significant capital expenditure (capex) plans.

However, the company continues to operate on a relatively modest scale, while maintaining a business model characterised by high working capital intensity. While the working capital intensity has reduced to 30.9% in FY2025 from 40%+ in the last three years, primarily aided by improvement in collections, it remains elevated. Also, BPL has relatively high product and customer concentration, with its top 5 products constituting 56% of FY2025 revenues and 78.4% of its sales derived from the top 5 customers. Nevertheless, the established relationships of over a decade with its key customers provide comfort regarding business stability.

Key rating drivers and their description

Credit strengths

Favourable demand prospects with focus on lifestyle diseases – BPL focusses on the lifestyle diseases segment, catering to diabetology, diseases pertaining to the central nervous system and pain management, among others. These segments contributed to 67.2% of revenues in FY2025. The presence in lifestyle diseases has contributed to healthy improvement in revenues since FY2022, at a compound annual growth rate (CAGR) of 19.5%, with higher offtake from key customers. While revenues declined in FY2025 and H1 FY2026 because of certain operational challenges, the demand for the company's lifestyle diseases product portfolio remains strong. Coupled with higher penetration in existing geographies and expansion into new markets, BPL's revenue growth is likely to continue to be robust over the near-to-medium term.

Healthy geographic diversification; established client relationships – The company derived close to 50% of its revenues from export markets in FY2025, while the balance supplied to domestic customers was also deemed exports. Within this, it supplies to regulated markets like the UK and Australia, and semi-regulated/unregulated markets such as Philippines, Sri Lanka, Ethiopia, Nigeria and Tanzania. Supplying to multiple geographies and the consequent diversification mitigate region-specific risks to a large extent. In terms of customer profile, the company enjoys established relationships with reputed pharmaceutical companies such as Tenshi Kaizen P Ltd and Strides Pharma Science Limited. It has had repeat orders from many of its customers, along with periodic addition of customers.

Comfortable debt metrics and adequate liquidity – The company has been conservative with debt in recent years, resulting in comfortable debt metrics, reflected in gearing of 0.4 times, total Debt/OPBDITA of 1.6 times and interest coverage of 6.0 times in H1 FY2026 (0.3 times, 2.1 times and 5.0 times in FY2025, respectively). BPL's debt metrics are expected to remain comfortable going forward as well, given its limited reliance on external borrowings and absence of large debt-funded capex plans. The company's liquidity is also adequate, aided by healthy cash flow from operations and undrawn working capital lines.

Credit challenges

Modest scale of operations – BPL remains a modest-sized player in the Indian pharmaceuticals industry, with a top line of Rs. 148.2 crore in FY2025 and Rs. 71.5 crore in H1 FY2026, despite healthy improvement in revenues by 22% CAGR since FY2022. This limits economies of scale and has restricted its market position to an extent.

High working capital intensity – BPL's business is working capital-intensive with a high inventory holding requirement and elongated receivable cycle. While the working capital intensity has reduced to 30.9% as on March 31, 2025 from 40%+ in the last three years, it still remains elevated. The company's ability to manage its working capital requirements as it scales up its business would continue to be critical to managing its borrowing levels and overall credit profile.

Customer and product concentration – BPL is subject to product concentration with its top 3 products (namely Metformin, Fluoxetine and Lithium Carbonate) constituting 45.0% of revenues in FY2025. Further, the company derived over 75% of its sales from the top 5 customers. This exposes it to risks arising from product-related issues and underperformance of the top customers or loss of customers to competition. Although BPL has taken measures to diversify its product portfolio and expand its customer base, its ability to achieve material business diversification remains to be seen.

Regulatory risks and vulnerability to unfavourable forex movement – Akin to other industry players, the company is bound by strict regulations in regulated markets. Although any deviation in the same could result in reputational risks and other penalties for BPL, historical absence of regulatory issues provides comfort to a large extent. Also, with close to 50% of its revenues derived from overseas markets in FY2025 and part of the raw materials being imported, the company’s earnings are susceptible to risks arising from adverse foreign exchange (forex) movements. However, its position as a net exporter currently mitigates the risk to a large extent.

Environmental and social risks

Environmental considerations – BPL remains exposed to tightening environmental regulations with regard to breach of waste and pollution norms, which can lead to an increase in operating costs and new capacity instalment costs. This can also require capital investments to upgrade its effluent treatment infrastructure to reduce its carbon footprint and waste generation.

Social considerations – BPL faces risks related to product safety and associated litigation risks, access to qualified personnel for research and development (R&D) and process engineering, and maintenance of high manufacturing compliance standards. Further, Government intervention related to price caps/control also remains a social risk faced by entities in the pharmaceutical industry.

Liquidity position: Adequate

BPL’s liquidity is adequate, aided by cash flow from operations of Rs. 10.0 -20.0 crore annually, free cash and bank balances of Rs. 0.3 crore as of September 2025 and undrawn working capital lines of Rs. 14.5 crore as on September 2025. Against this, the company has principal repayment obligations of Rs. 4.3 crore in H2 FY2026 and Rs. 9.2 crore in FY2027. The company has capex plans of Rs. 20.0 crore in FY2026 and Rs. 7.5 crore in FY2027 for capacity expansion and regular maintenance, to be funded through internal accruals and debt on an as need basis.

Rating sensitivities

Positive factors – ICRA could upgrade BPL’s rating if the company is able to achieve an increase in its scale of operations and operating margin and improve its working capital cycle on a sustained basis while maintaining its debt metrics.

Negative factors – Negative pressure on BPL’s rating could emerge with material deterioration in the earnings or significant rise in debt, leading to weakening of liquidity position and deterioration in the credit profile. Specific credit metrics that could lead to a rating downgrade would include debt service coverage ratio (DSCR) of less than 1.4 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

Bafna Pharmaceuticals Limited is engaged in the contract manufacturing for regulated markets and sale of generics in the semi-regulated/unregulated markets. The company derived close to 50% of its revenues from the export markets in FY2025. Within this, it supplies to regulated markets like the UK and Australia, and semi-regulated/unregulated markets such as Philippines, Sri Lanka, Ethiopia, Nigeria, and Tanzania. The company focusses on the lifestyle diseases segment, catering to

diabetology, diseases pertaining to the central nervous system and pain management, among others. It currently has one manufacturing facility at Grantlyon in Chennai (Tamil Nadu).

Key financial indicators (audited)

BPL (standalone)	FY2024	FY2025
Operating income	155.4	148.2
PAT	7.3	4.2
OPBDIT/OI	9.0%	9.2%
PAT/OI	4.7%	2.8%
Total outside liabilities/Tangible net worth (times)	0.8	0.8
Total debt/OPBDIT (times)	1.7	2.1
Interest coverage (times)	6.1	5.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2026			FY2025		FY2024		FY2023	
			January 23, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long term	20.00	[ICRA]BB+ (Positive)	Apr 02, 2025	[ICRA]BB+ (Stable)	-	-	Feb 05, 2024	[ICRA]BB+ (Stable)	Nov 30, 2022	[ICRA]BB+ (Stable)
Fund-based – Term loan	Long term	25.87	[ICRA]BB+ (Positive)	Apr 02, 2025	[ICRA]BB+ (Stable)	-	-	Feb 05, 2024	[ICRA]BB+ (Stable)	Nov 30, 2022	[ICRA]BB+ (Stable)
Unallocated limits	Long term	4.13	[ICRA]BB+ (Positive)	Apr 02, 2025	[ICRA]BB+ (Stable)	-	-	Feb 05, 2024	[ICRA]BB+ (Stable)	-	-
Interchangeable limits – Letter of credit	Short term	(5.00)	[ICRA]A4+	Apr 02, 2025	[ICRA]A4+	-	-	Feb 05, 2024	[ICRA]A4+	Nov 30, 2022	[ICRA]A4+
Interchangeable limits – Bank guarantee	Short term			-	-	-	-	-	-	Nov 30, 2022	[ICRA]A4+
Non-fund based-Bank guarantee	Short term			-	-	-	-	Feb 05, 2024	[ICRA]A4+	-	-
Non-fund based – Forward cover	Short term			-	-	-	-	Feb 05, 2024	[ICRA]A4+	Nov 30, 2022	[ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Unallocated limits – Unallocated limits	Not applicable
Short-term – Interchangeable limits – Letter of credit	Simple
Long-term – Fund-based – Cash credit	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 loan	FY2022 to FY2026	9.50% - 10.0%	FY2026 to FY2031	25.87	[ICRA]BB+ (Positive)
NA	Cash credit	NA	NA	NA	20.00	[ICRA]BB+ (Positive)
NA	Letter of credit	NA	NA	NA	(5.00)	[ICRA]A4+
NA	Unallocated	NA	NA	NA	4.13	[ICRA]BB+ (Positive)

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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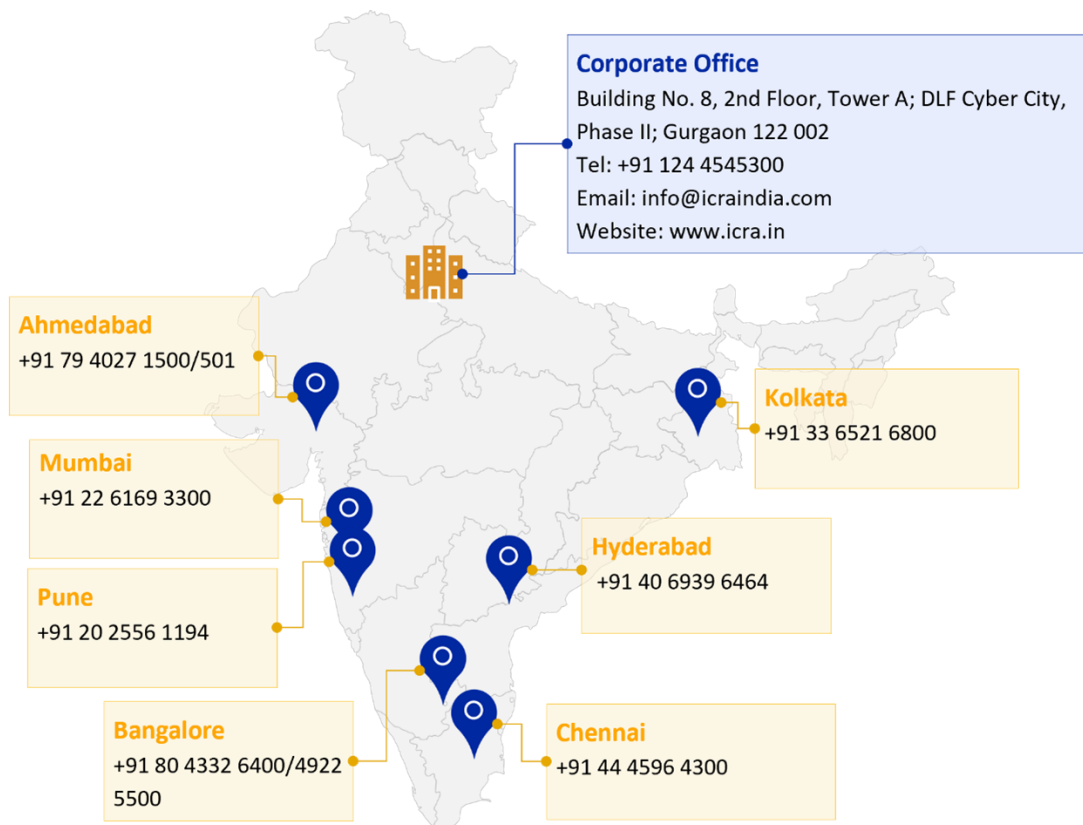


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