

March 24, 2026

Aarti Drugs 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 | 302.80 | 253.13 | [ICRA]AA- (Stable); reaffirmed |
| Long term - Fund-based - CC | 65.00 | 65.00 | [ICRA]AA- (Stable); reaffirmed |
| Short term - Fund-based/ Non-fund based facilities | 1,085.00 | 1,085.00 | [ICRA]A1+; reaffirmed |
| Long term - Fund based - Proposed term loan | 0.00 | 49.67 | [ICRA]AA- (Stable); reaffirmed |
| Total | 1,452.80 | 1,452.80 | |

*Instrument details are provided in Annexure

Rationale

The reaffirmed ratings for Aarti Drugs Limited (ADL/the company) continue to consider its long and established track record in the active pharmaceutical ingredients (APIs), intermediates, speciality chemicals and formulations space, along with its experienced management. The ratings also derive comfort from ADL's strong market position as one of the largest domestic and global manufacturers of most of its key API products. ADL's large installed capacities, backward integration of intermediates and related chemicals provide it with significant operational efficiencies. Additionally, the ratings also take comfort from ADL's diversified and reputed client base, including major pharmaceutical players. ICRA notes that the company commissioned its dimethylamine plant in September 2025, with 30-33% capacity utilisation in Q3 FY2026, providing benefits such as backward integration for metformin production, as well as the sale of monomethylamine and trimethylamine to other Group and external companies.

ADL's revenue declined by 5.6% in FY2025 to Rs. 2,387 crore due to a 6.8% contraction in its API segment, mainly on account of declining realisations and relatively lower demand from export markets (due to elections in some countries). ADL's formulations revenue also declined by 20.9% YoY in FY2025 due to operations being disrupted on account of brownfield expansion and regulatory audits. In 9M FY2026, despite the continued impact of a decline in realisations in the API segment, the consolidated revenues grew by 7.9%, supported by healthy export demand in the formulations segment, which witnessed 27.6% YoY growth in 9M FY2026. ADL's consolidated operating margin declined by 50 bps in FY2025 to 12.2% due to higher selling costs. In 9M FY2026, the consolidated operating margins declined to 11.6% due to one-time expenses for plant refurbishment (Q3 FY2026), initial losses from ramp-up of Sayakha and the salicylic acid plant, in addition to relatively lower capacity utilisation at other plants. The impact of high-cost inventory being sold in Q3 FY2026 also affected the margins to an extent. The API prices continued to correct till H1 FY2026 owing to increased competition and raw material fluctuations. In Q3 FY2026, antibiotics witnessed a decline in realisations due to overstocking issues and weak demand. Further, delays in shipment of raw material from China also affected the production of antibiotics in Q3 FY2026. While the performance of the API segment is expected to stabilise going forward, any surge in raw material prices and impact on demand due to ongoing conflicts in West Asia may affect the growth and margin prospects of the company. Margin stabilisation for ADL is expected to be supported by stable raw material prices, healthy operating leverage and increased cost efficiency through various backward integration initiatives. Additionally, the ramp-up in capacity utilisation for the salicylic acid and dimethylamine plants is also expected to support margins going forward.

The company is expected to incur consolidated capex of around Rs. 150 crore in FY2026, funded through a mix of debt and internal accruals, and Rs. 150-160 crore in FY2027 and FY2028 each, funded majorly through internal accruals. This is mainly

towards setting up a new oral solid dosage plant at an existing facility, capacity increment of the metformin plant, debottlenecking and maintenance capex. The large debt-funded capex for the Sayakha and salicylic acid plants have mostly concluded. Consequently, the debt and coverage metrics are expected to improve going forward. That said, the timely ramp-up of operations for the newly added capacities and its impact on the company's credit metrics remain monitorable.

The ratings remain constrained by moderately high working capital intensity because of large receivables and inventory holding periods, as ADL maintains safety stock for various raw materials and finished goods to ensure an uninterrupted flow of supplies. ADL's profitability is also exposed to regulatory risks, fluctuations in raw material prices, and limited pricing flexibility due to a large share of a mature molecule portfolio. The risk is mitigated to an extent by its leading market position and backward integration in related intermediates, which protect profitability to some extent. ICRA also notes that the company plans to pay out 25% of profit after tax (PAT) as dividends to its shareholders. Going forward, any significant shareholder payout impacting the company's liquidity position and credit metrics remains a key monitorable. The RoCE for ADL also remains constrained due to significant capex incurred in recent past, while the new assets start generating revenues gradually. Any delay in ramp up of newly constructed greenfield facilities could impact the RoCE growth going forward.

The Stable outlook on the long-term rating reflects ICRA's expectation that ADL will likely sustain its operating metrics even as its revenue growth may remain moderate. Further, the outlook underlines ICRA's expectation that the entity's capex plans to further expand capacity will be funded in a manner that enables it to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established bulk drug player with strong presence in antibiotic, antidiarrheal and antidiabetic therapeutic segments along with sizeable market share in key molecules – The company caters to 12 therapeutic groups, including antibiotics, antidiarrheals, antifungals, antidiabetics, anti-inflammatory, cardioprotective, vitamins and anti-arthritis, among others. ADL has a sizeable market share as the largest domestic and global manufacturer for most of its key products. The top three therapeutic segments, viz., antibiotics, antidiarrheals, and antidiabetics, contributed around 71.9% of the company's revenues in 9M FY2026. The company remains one of the leaders in fluoroquinolones under antibiotic therapy on the back of strong backward integration and cost-efficient manufacturing supported by large capacities. ADL has a growing presence in antifungal and cardioprotective therapies as well. Its top five products, namely ciprofloxacin, ofloxacin, metronidazole, metformin and ketoconazole, generated around 46.3% of the consolidated revenues in H1 FY2026.

Diversified client profile; share of exports remains healthy – ADL's customer base is diversified, with the top 10 customers contributing 16.3% of its API revenues in H1 FY2026. Its client profile includes reputed domestic as well as export end-customers and distributors. Export sales comprised around 36.3% of ADL's consolidated revenues in FY2025 which increased to 41.8% in 9M FY2026. Its exports are diversified across 100 countries in North America, Latin America, Asia Pacific, Europe and Africa.

Healthy financial risk profile – The company's debt primarily comprises working capital debt and term loans, with the latter contributing around 55% to the total debt (as on March 31, 2025) due to the large capex undertaken towards setting up incremental capacities (salicylic acid and dimethylamine plants). As on September 30, 2025, ADL's total debt declined to Rs. 573.5 crore from Rs. 615.1 crore as on March 31, 2025 due to lower working capital borrowings. This, combined with healthy operating margins of 12.7% in H1 FY2026, led to an improvement in TD/OPBDITA to 1.8 times as on September 30, 2025 from 2.1 times as on March 31, 2025. The company's gearing remained unchanged at 0.4 times during the same period. Although future capex will be funded majorly through internal accruals, the expected moderation in operating margins due to high initial costs from new greenfield facilities will lead to slight moderation in debt metrics. That said, any adverse impact of the ongoing conflict in West Asia on raw material prices may also affect ADL's cost structure and growth prospects.

Credit challenges

Delay in ramp up of new facilities could impact the RoCE and profitability in near term – Delay in the ramp-up of newly commissioned facilities poses a near-term risk to ADL’s profitability and return metrics, as prolonged sub-optimal utilisation would keep fixed costs under-absorbed and defer the benefits of earnings improvement from these assets. The salicylic acid facility (commissioned in FY2025) and the Sayakha methylamines unit (commissioned in September 2025) are yet to achieve breakeven as utilisation remains sub-optimal. In Q3 FY2026, high initial costs for both facilities resulted in an OPBDITA impact to the extent of Rs. 8-8.5 crore. The Sayakha plant achieved 30-33% utilisation in Q3 FY2026, with OPM breakeven expected at around 50% utilisation. Led by the large cumulative capex of about Rs. 600 crore and sub-optimal capacity utilisation over the past few years, the RoCE declined from 16.4% in FY2024 to 14.5% in FY2025 and 13.8% in H1 FY2026. Any slippage versus the planned capacity utilisation goals (Sayakha at 50% by Q4 FY2026 and 70-75% by Q1 FY2027) or delayed production ramp-up at the salicylic acid plant may result in margin compression and slower RoCE recovery in the near term.

Moderately high working capital intensity – The company’s working capital intensity remained moderately high at 32.9% in H1 FY2026 and 35.3% in FY2025. Its operations remain working capital intensive, which is essential for its growth, as the company generally maintains 90 days of inventory, which includes various raw materials and finished goods, to ensure uninterrupted supplies to its customers. In addition, ADL’s debtor days remain at 90-110 days due to its sizeable portion of export sales, making the company’s operations working capital intensive. Going forward, the working capital intensity is expected to remain in line with past trends.

Profitability remains exposed to regulatory risks and fluctuations in raw material prices – The company is exposed to regulatory risks such as manufacturing facility approvals and local manufacturing requirements by various Government authorities as part of a regulated industry amid an evolving landscape. Further, the company’s profitability remains vulnerable to packaging and freight costs, in addition to volatility in raw material prices. ICRA notes that the impact of the conflict in West Asia on raw material prices, freight costs (shipping route disruption or war surcharge), as well as the sustenance of export demand from ADL’s clientele remains monitorable. However, backward integration for its key molecules might mitigate this risk to a certain extent.

Environmental and social risks

Environmental considerations – The company does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations with regard to breaches of waste and pollution norms, which can lead to an increase in operating costs or capital investments. The company is dedicated to minimising its environmental footprint and is consistently improving its operations, reducing its energy consumption, and efficiently managing its waste and emissions.

Social considerations – The industry faces social risks related to product safety and the associated litigation risks, access to qualified personnel for 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

ADL’s liquidity is adequate, with free cash and liquid investments of Rs. 6.7 crore and unutilised standalone working capital limit of Rs. 226.8 crore against its drawing power of Rs. 408.3 crore (sanctioned limit of around Rs. 600 crore) as on September 30, 2025. The company’s average standalone working capital utilisation remained at 51% against its average drawing power of Rs. 424.5 crore between November 2024 and October 2025. The company is expected to incur a consolidated capex of Rs. 150 crore in FY2026 and Rs. 150-160 crore in FY2027, which will be funded through a mix of term debt and internal accruals. ADL has annual consolidated repayment obligations of Rs. 56.4 crore and Rs. 66.4 crore in FY2026 and FY2027, respectively, for its term loans. ICRA expects ADL to meet its near-term commitments comfortably through its internal accruals.

Rating sensitivities

Positive factors – The ratings could be upgraded with a significant improvement in the company’s scale leading to improvement in earnings and financial profile.

Negative factors – The ratings could be downgraded in case of a significant and sustained deterioration in the company’s profitability. Negative pressure on ADL’s rating could arise with a weakening in the company’s DSCR below 2.5 on a sustained basis. The rating could also be downgraded if its liquidity position worsens on account of higher-than-expected working capital intensity or capex funding requirements.

Analytical approach

| Analytical approach | Comments |
|--|--|
| Applicable rating methodologies 9 Bold | Corporate Credit Rating Methodology Rating Methodology- Pharmaceuticals |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | For arriving at the ratings, ICRA has considered the consolidated financials of ADL. Refer to the Annexure II for the list of entities considered for consolidation. |

About the company

ADL, incorporated in 1984, manufactures APIs, intermediates and speciality chemicals. The company was promoted by four chemical engineering graduates from UDCT Mumbai (now the Institute of Chemical Technology). It has a strong presence in the antibiotic, antidiarrheal, and anti-inflammatory segments, with a growing product portfolio in antifungal, antidiabetic, cardioprotectant, vitamins, and anti-arthritis therapeutic groups. ADL’s key products include ciprofloxacin, metronidazole, metformin HCL, ketoconazole and ofloxacin. It successfully developed more than 30 new molecules in the past seven years and is continuously developing new, value-added molecules through its innovative and cost-effective processes. At present, the company has ten manufacturing plants at Tarapur, two at Sarigam, one at Sayakha, and one formulations plant at Baddi. The manufacturing units have approvals from the USFDA, WHO-GMP, EDQM (Europe), accreditation from Japan, ANVISA, ISO 9001: 2000, TGA Australia, COFEPRIS, Canadian authorities, China, Russia, Taiwan, Ukraine, Vietnam, and South Korea.

Pinnacle Life Science Private Limited is a wholly owned subsidiary of ADL, which manufactures formulations for the domestic (contract manufacturing) and export markets (own brand). The therapeutic segments it caters to include CNS, cardiovascular, dermatology ointments, gastrointestinal, oncology, pain management and respiratory. Its facility at Baddi (Himachal Pradesh) is ISO 9001: 2008 certified and WHO-GMP approved. PLSPL is also approved by various regulatory bodies like FMHACA (Ethiopia), NDA (Uganda), PPP (Kenya), and the Ministry of Health (Ivory Coast). Most of its API requirements are met by its parent.

Key financial indicators (audited)

| ADL Consolidated | FY2024 | FY2025 | 9MFY2026* |
|--|--------|--------|-----------|
| Operating income | 2528.6 | 2387.0 | 1845.0 |
| PAT | 171.6 | 168.1 | 139.7 |
| OPBDIT/OI | 12.7% | 12.2% | 11.6% |
| PAT/OI | 6.8% | 7.0% | 7.6% |
| Total outside liabilities/Tangible net worth (times) | 0.9 | 0.9 | - |
| Total debt/OPBDIT (times) | 1.8 | 2.1 | - |
| Interest coverage (times) | 8.5 | 7.4 | - |

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: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current rating (FY2026) | | Chronology of rating history for the past 3 years | | | | | |
|--|------------|--------------------------|--------------------|---|--------------------|--------------|--------------------|--------------|--------------------|
| | | Amount rated (Rs. crore) | March 24, 2026 | FY2025 | | FY2024 | | FY2023 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| Term loan USD million | Long-term | - | - | - | - | - | - | Jun 30, 2022 | [ICRA] AA-(Stable) |
| Fund based - term loan | Long-term | 253.13 | [ICRA] AA-(Stable) | Jan 30, 2025 | [ICRA] AA-(Stable) | Feb 29, 2024 | [ICRA] AA-(Stable) | Jun 30, 2022 | [ICRA] AA-(Stable) |
| Fund based - cash credit | Long-term | 65.00 | [ICRA] AA-(Stable) | Jan 30, 2025 | [ICRA] AA-(Stable) | Feb 29, 2024 | [ICRA] AA-(Stable) | Jun 30, 2022 | [ICRA] AA-(Stable) |
| Fund based/ non-fund based | Short-term | 1,085.00 | [ICRA]A1+ | Jan 30, 2025 | [ICRA]A1+ | Feb 29, 2024 | [ICRA]A1+ | Jun 30, 2022 | [ICRA]A1+ |
| Commercial paper | Short-term | - | - | - | - | - | - | Dec 12, 2022 | [ICRA]A1+ |
| Fund based – proposed term loan | Long-term | 49.67 | [ICRA] AA-(Stable) | - | - | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|----------------------|
| Long term - fund based - cash credit | Simple |
| Long term - fund based - term loan | Simple |
| Short-term fund based /non-fund based | Simple |
| Long term – fund based – proposed term loan | 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 | FY2017-FY2025 | NA | FY2026-FY2032 | 253.13 | [ICRA]AA- (Stable) |
| NA | Long term-Fund based CC | NA | NA | NA | 65.00 | [ICRA]AA- (Stable) |
| NA | Short term- Fund based/Non-fund based | NA | NA | NA | 1,085.00 | [ICRA]A1+ |
| NA | Long term – Fund based – proposed term loan | NA | NA | NA | 49.67 | [ICRA]AA- (Stable) |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis (As on March 31, 2025)

| Company Name | Ownership of ADL | Consolidation Approach |
|---|------------------|------------------------|
| Pinnacle Life Science Private Limited | 100.0% | Full Consolidation |
| Aarti Speciality Chemicals Limited | 100.0% | Full Consolidation |
| Pinnacle Chile SPA | 95.0% | Full Consolidation |
| Pharma Go SPA (wholly owned subsidiary of Pinnacle Chile SPA) | 95.0% | Full Consolidation |

Source: ADL annual report

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