

April 9, 2026

## Unichem Laboratories Limited: Ratings reaffirmed

### Summary of rating action

Instrument <sup>^</sup>	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based/Non-fund Based Facilities	150.00	120.00	[ICRA]A+ (Stable); reaffirmed
Long Term – Unallocated Limits	30.00	60.00	[ICRA]A+ (Stable); reaffirmed
<b>Total</b>	<b>180.00</b>	<b>180.00</b>	

<sup>^</sup>Instrument details are provided in Annexure I

### Rationale

The ratings consider Unichem Laboratories Limited's (ULL) established presence in the pharmaceutical formulations industry with a significant share of its revenue derived from regulated markets, primarily the US and Europe, with its US operations remaining the largest contributor. The business profile is supported by United States Food and Drug Administration (USFDA)-approved manufacturing facilities and a robust Abbreviated New Drug Application (ANDA) pipeline, which is expected to support growth. In addition, the company's operations are backward integrated with expansion of Active Pharmaceutical Ingredient (API) facility at Pithampur (Madhya Pradesh) to strengthen ULL's cost structure and improve operating leverage over the medium term. The ratings draw comfort from operational synergies ULL enjoys with its parent, IPCA Laboratories Limited (IPCA), which helped it optimise its cost structure through centralised raw material procurement and lower logistics costs driven by a higher proportion of sea shipments compared to air shipments undertaken earlier. Further, IPCA is expected to provide support to ULL on a need basis, leveraging its strong financial flexibility and access to banking and financial channels.

ULL witnessed a modest revenue growth of about 7% in 9M FY2026 owing to pressures emanating from sustained price erosion and loss of volumes in select high-margin molecules in the US generics portfolio. Consequently, the operating margin moderated to around 9.7% in 9M FY2026 from 13.4% in FY2025. However, the company's revenue growth and margins are expected to improve gradually, supported by expected recovery in lost market share driven by volume-led growth strategies, and continued operational integration with IPCA, including procurement and backward integration benefits. Nevertheless, the ongoing West Asia conflict is expected to keep raw material and freight costs elevated over the near term, which could continue to constrain margins.

ICRA notes the settlement of the European Commission fine during FY2026. The company received a demand for an aggregate amount of EUR 19.5 million in October 2025, which was partly funded through proceeds from the sale of a land parcel, resulting in a one-time cash inflow of Rs. 279 crore. Despite the outflow, ULL has maintained healthy cash and liquid investments of around Rs. 261 crore as of December 2025, which continues to provide comfort to its liquidity position.

The rating is constrained by the high share of revenues from the generic formulations segment, which is characterised by intense competition, with the pricing pressure limiting margin expansion. The rating also considers ULL's relatively high therapeutic segment concentration, with the top 3 segments contributing 77% to the company's revenues for 9M FY2026. Moreover, the company has high working capital intensity owing to the elongated receivable cycle and high inventory holding period. This apart, considering its strong presence in regulated markets, including North America, the company continues to be exposed to regulatory risks arising out of scrutiny from regulatory agencies like the USFDA.

The Stable outlook on the long-term rating factors in the expected growth in the company's revenues and earnings, backed by improving demand from its customers, integration and synergies as a subsidiary of the IPCA Group, and deeper backward integration.

## Key rating drivers and their description

### Credit strengths

**Support from well-established and diversified pharmaceutical company, IPCA** - ULL benefits from the backing of its parent, IPCA, a well-established and diversified pharmaceutical company with presence in both branded and generic formulations, as well as APIs. Prior to its acquisition, ULL was managed by Dr. Prakash Amrut Mody. In August 2023, IPCA acquired a 52.65% stake in ULL, making it a subsidiary. IPCA is expected to provide financial support to ULL, if required. The integration into IPCA provides ULL with strategic advantages, operational synergies, and access to IPCA's established distribution network.

**Synergies as part of IPCA Group support operational as well as credit profiles** – IPCA has a strong API franchise with backward integration that will enable ULL to scale up its global generic portfolio and increase its market share with cost efficiency and competitiveness. ULL has benefited from the operational synergies with IPCA, which helped optimise its input costs through centralised raw material procurement and lower logistics costs. As IPCA is present in 45 countries with close to 1,200 personnel working on the field in branded formulations, ULL will be able to expand to new geographies, especially in the rest of the world (RoW) markets, aiding its revenue growth in the medium term. Further, IPCA is expected to provide support on a need basis and leverage the financial flexibility IPCA enjoys in the banking and financial channels.

**Backward integrated capabilities to support in-house formulations manufacturing** – Following the sale of its domestic formulations business in FY2017, the company focused on scaling up its international formulations business, especially in the US, which has been growing at a healthy rate over the past few years. ULL's extensive experience in APIs and formulations as well as its cost advantage from backward integration is a positive factor. Accordingly, the company has invested in capacity expansion of its API facilities, which is expected to augment growth in the medium term. ICRA also notes the company's clean track record with respect to regulatory inspections.

### Credit challenges

**Intense competition in the formulations industry, especially in generic formulations, limits margins** – The company derives most of its revenues (71% in FY2025) from generic formulation sales, which are characterised by stiff competition, especially for its exports to the US market, from numerous contract manufacturers, multinational companies as well as established Indian pharmaceutical brands. The intense competition keeps revenue growth and margins under check as seen in 9M FY2026 wherein operating margins declined to around 9.7% from 13.4% in FY2025, mainly due to pricing pressure, loss of volumes in select high-margin molecules, and lower capacity utilisation. Further, the ongoing West Asia conflict is expected to keep raw material and freight costs elevated over the near to medium term, which is likely to constrain margins.

**Inherent regulatory risk associated with pharmaceutical industry** – Like its peers in the pharmaceutical industry, ULL's operations remain exposed to the regulatory risks, including scrutiny by regulatory agencies like USFDA. As ULL is solely focused on exports, ICRA notes that timely product launches in various regulated and semi-regulated markets, along with a stable socio-political environment, remain critical for its revenue growth.

**Working capital-intensive nature of operations** – ULL's operations are working capital intensive, as depicted by NWC/OI of 57% in H1 FY2026 (63% in FY2025). The high working capital requirements stem from its export-driven revenue model, which entails extended credit periods and significant inventory holdings as ULL's subsidiaries primarily serve as front offices without manufacturing capacities. The working capital intensity is expected to remain in the range of 60-65% over the medium term. However, this risk is partly mitigated by the company's adequate liquidity position, allowing it to manage operations with moderate reliance on fund-based working capital limits.

### Environmental and social risks

**Environmental considerations** – The company does not face any major physical climate risk. However, it operates in a regulated environment and is subject to various domestic and international environmental laws. ULL remains exposed to

evolving environmental regulations, including norms related to waste disposal and emissions, which could impact operating costs and future capacity expansion.

**Social considerations** – As part of the pharmaceutical industry, the company faces high social risks from product safety and associated litigation risks, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards. Further, government interventions on price caps/controls for the formulation segment also remains a social risk faced by entities in the pharmaceutical industry.

### Liquidity position: Adequate

The liquidity position remains adequate with investments and free cash and equivalents of around Rs. 261.5 crore as of December 2025 on a consolidated basis. It also has an undrawn working capital limit of Rs. 120 crore as of December 2025. The company is expected to generate retained cash flows of Rs. 100-110 crore in FY2027. Against this, it has repayment obligations of Rs. 14-15 crore and capex plans of Rs. 100-110 crore in FY2027.

### Rating sensitivities

**Positive factors** – ICRA may upgrade the ratings in case of an improvement in its scale of operations and profit margins resulting in improved debt metrics. Improvement in the credit profile of the parent company could also be a positive rating trigger.

**Negative factors** – The ratings could be downgraded if a material decline in revenues or earnings impacts its debt metrics on a sustained basis. Any adverse regulatory development, impacting the company’s operations or a deterioration in the company's liquidity position on a sustained basis would also be a negative trigger. Moderation in the parent company’s credit profile or weakening in linkages with the parent company could also put pressure on the ratings.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Pharmaceuticals</a>
Parent/Group support	Parent: IPCA Laboratories Limited IPCA is expected to provide need-based funding as well as operational support to ULL.
Consolidation/Standalone	The rating is based on the consolidated financial profile of the company. As on December 31, 2025, ULL had six subsidiaries and one associate who are enlisted in Annexure II

### About the company

Unichem Laboratories Limited (ULL) is an integrated pharmaceutical company, founded by Late Amrut Mody in 1944. ULL manufactures and markets a large basket of APIs as well as pharmaceutical formulations as branded and simple generics in several regulated and unregulated markets around the world. The company’s products cater to a diverse range of therapeutic areas such as cardiology, gastroenterology, diabetology, psychiatry, neurology, anti-bacterial, anti-infective and pain management. Historically, ULL had focused on domestic formulations business, which drove almost 55% of its total consolidated revenues in FY2017. In November 2017, it entered an agreement with Torrent Pharmaceuticals Limited for sale of its formulations business in India and Nepal through a slump sale, for a total consideration of Rs. 3,600 crore. The company took its first major step towards entering the regulated markets in 2002, following its acquisition of an equity stake in Niche Generics Limited, UK. Further, in August 2023, IPCA Laboratories Limited picked up a 52.65% stake in ULL, effectively making it a subsidiary of IPCA. As on date, the company has formulations manufacturing facilities in Goa, Baddi (Himachal Pradesh), and Ghaziabad (Uttar Pradesh), while its API manufacturing facilities are in Pithampur (Madhya Pradesh), Roha, and Kolhapur (Maharashtra).

### Key financial indicators (Audited)

ULL - consolidated	FY2024	FY2025	9M FY2026*
Operating income	1,807.5	2,132.5	1,653.0
PAT	-93.8	137.5	241.9
OPBDIT/OI	6.0%	13.4%	9.7%
PAT/OI	(5.2%)	6.4%	14.6%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	NA
Total debt/OPBDIT (times)	2.3	1.6	NA
Interest coverage (times)	4.8	13.6	7.2

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; \* Unaudited results; NA – Not Applicable

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

Instrument	Current year (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 09, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund-based / Non-fund Based Facilities	Long term	120.00	[ICRA]A+ (Stable)	-	-	Feb 18, 2025	[ICRA]A+ (Stable)	Dec 14, 2023	[ICRA]A (Stable)
				-	-	Jul 05, 2024	[ICRA]A (Stable)	May 03, 2023	[ICRA]A- @
Unallocated Limits	Long term	60.00	[ICRA]A+ (Stable)	-	-	Feb 18, 2025	[ICRA]A+ (Stable)	Dec 14, 2023	[ICRA]A (Stable)
				-	-	Jul 05, 2024	[ICRA]A (Stable)	-	-

@ Rating Watch with Developing Implications

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term, Fund-based / Non-fund Based Facilities	Simple
Long 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	<b>Fund-based / Non-fund Based Facilities</b>	NA	NA	NA	120.00	[ICRA]A+ (Stable)
NA	<b>Unallocated limits</b>	NA	NA	NA	60.00	[ICRA]A+ (Stable)

Source: Company

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**Annexure II: List of entities considered for consolidated analysis**

Company name	Ownership	Consolidation approach
Niche Generics Ltd, UK	100.00%	Full consolidation
Unichem S.A. Proprietary, SA	100.00%	Full consolidation
Unichem Farmaceutica Do Brasil Ltda, Brazil	100.00%	Full consolidation
Unichem Pharmaceuticals (USA) Inc., USA	100.00%	Full consolidation
Unichem Laboratories Limited, Ireland (upto 30 <sup>th</sup> April 2025)*	100.00%	Full consolidation
Unichem (China) Pvt Ltd, China	100.00%	Full consolidation
Synchron Research Services Private Limited	32.11%	Equity Method

\* Effective from May 2025, entire holding in Unichem Laboratories Limited, Ireland has been transferred to ULL's parent, IPCA Laboratories Limited

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