

May 07, 2026

Kwality Pharmaceuticals Ltd.: Ratings upgraded to [ICRA]BBB+ (Stable)/[ICRA]A2; rated amount enhanced; removed from Issuer Not Cooperating category

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based term loans	22.00	40.00	[ICRA]BBB+ (Stable); rating upgraded from [ICRA]B+ (Stable)/assigned for enhanced amount and removed from Issuer Not Cooperating category
Long-term/Short-term – Fund-based/Non-fund based limits	-	160.00	[ICRA]BBB+ (Stable)/[ICRA]A2; rating upgraded from [ICRA]B+ (Stable)/[ICRA]A4 / assigned for enhanced amount and removed from Issuer Not Cooperating category
Long-term – Fund-based cash credit	24.08	-	-
Short-term – Non-fund based limits	9.00	-	-
Unallocated limits	9.92	-	-
Total	65.00	200.00	

*Instrument details are provided in Annexure II

Rationale

ICRA has upgraded the ratings of Kwality Pharmaceutical Ltd. (KPL) and removed it from the Issuer Not Cooperating (INC) category owing to its cooperation in concluding the rating exercise.

The rating action factors in KPL's established track record of more than four decades in the pharmaceutical industry and the extensive experience of its promoters. The company also has a well-diversified geographical presence, primarily across semi-regulated markets, with exports generating around 50% of its annual revenues. Approvals from several regulatory agencies over the last few years and product registrations across multiple semi-regulated markets have aided the growth in KPL's revenues with a compounded annual growth rate (CAGR) of 21% between FY2023 to FY2025 and a 36% revenue growth to Rs. 346.0 crore in 9M FY2026. The company also benefits from a complex portfolio of products, with injectables generating more than 50% of its revenues. This has also supported profitability, with an operating profit margin (OPM) of 22% in FY2025 and 23% in 9M FY2026. The company also has a strong pipeline of products including biosimilars, peptides and other complex products in therapies like oncology which are expected to continue supporting KPL's growth and profitability over the near-to-medium term.

The ratings also factor in KPL's healthy financial profile, strengthened by its robust debt protections metrics and an adequate liquidity position. Its debt profile is comfortable with a total debt/ OPBDITA of 1.1 times, total debt/ TNW of 0.4 times as on September 30, 2025 and an interest cover of 8.8 times in H1 FY2026¹. Its liquidity position is also adequate, aided by cash, cash equivalents and liquid investments of Rs. 34.1 crore and unutilised working capital limits of around Rs. 40 crore as on September 30, 2025.

The ratings, however, are constrained by KPL's high working capital intensity of operations, with an NWC/OI² of 50.2% in FY2025. The elevated working capital intensity is partly on account of increased debtors due to the company's growth phase in several semi-regulated markets and a higher inventory holding on account of a greater number of stock-keeping units (SKUs).

¹ OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; TNW: Tangible net worth

² NWC: Net working capital; OI: Operating income

It remains exposed to regulatory changes in the industry. The company has a moderate scale, with a revenue of Rs. 346.0 crore in 9M FY2026 and continues to be exposed to the high competitive intensity of the pharmaceutical industry. KPL is investing towards developing complex products including peptides and biosimilars to partially address the competitive intensity. However, timely launch and healthy scale-up of these products remain critical for a sustained revenue growth. The company's profitability is also susceptible to fluctuations in raw material prices and foreign exchange, owing to its partial dependence on import of raw materials and a significant export contribution to its sales.

The Stable outlook reflects ICRA's opinion that the company shall continue to benefit from its relatively complex product portfolio and a developing presence across several emerging markets, aiding the growth in its revenues, profitability and earnings.

Key rating drivers and their description

Credit strengths

Established operational track record in the pharmaceutical industry – KPL has an established track record of operations in pharmaceutical formulations manufacturing. Its promoters have an extensive experience of more than four decades in the pharmaceutical industry with established relationships with several of the company's suppliers and customers, supporting its operational profile.

Diversified geographical presence – KPL has a well-diversified geographical presence across semi-regulated markets including markets in Asia, Africa and Latin America. It also has a limited but evolving presence in some of the regulated markets in Europe. Domestic sales generate 45-55% of KPL's annual sales, indicating a strong export presence. Moreover, many of the customers in the domestic market in turn export the drugs, indicating healthy indirect exports as well.

Diversified product profile including healthy contribution from complex products – The company has a well-diversified product portfolio, having developed more than 1,000 formulations across more than 25 therapeutic areas with more than 600 regulatory filings across the globe. It has an expertise in development and manufacturing of complex formulations, with injectables generating more than 55% of its revenues in 9M FY2026. High product complexity has aided KPL's profitability with an OPM of 23.0% in 9M FY2026. Furthermore, increasing focus on complex products, including peptides and biosimilars across complicated therapies like oncology, is expected to aid revenue growth and profitability over the near-to-medium term.

Healthy financial profile – KPL has a healthy financial profile, characterised by comfortable coverage and leverage indicators and an adequate liquidity position. As on September 31, 2026, the company has a total debt of Rs. 110.4 crore, indicating robust debt protection metrics with a total debt/ OPBDITA of 1.1 times (1.4 times as on March 31, 2025), total debt/ TNW of 0.4 times (0.4 times as on March 31, 2025) and interest cover of 8.8 times (8.3 times for FY2025). With a healthy pipeline of products, the company is expected to sustain a strong growth in its revenues and earnings. Coupled with a moderate dependence on external debt, this is anticipated to result in sustenance of a healthy financial profile over the medium term.

Credit challenges

Moderate scale of operations – The company remains a moderate-sized player in the formulations industry with an OI of Rs. 376.1 crore in FY2025 and Rs. 346.0 crore in 9M FY2026. This limits its pricing power to an extent. However, increased focus on complex injectables and biologics (including peptides and biosimilars) in the oncology segment augurs well for KPL's business prospects and is expected to aid its revenue growth over the medium term.

High working capital intensity – Being in a growth phase in several semi-regulated markets, KPL offers a relatively longer payment period to its customers, resulting in a high debtor cycle. Moreover, it also needs to maintain an increased inventory owing to a greater number of SKUs relative to its scale. This has resulted in a sustained elevated working capital intensity over the last few years with an NWC/OI of 53% in FY2024 and FY2025.

Exposure to regulatory changes and intense competition - As is prevalent in the industry, KPL's operations remain exposed to regulatory restrictions in terms of pricing caps and product/ facility approvals across its markets. Timely and successful product

and facility approvals (or renewals) in various semi-regulated and regulated markets remain critical for the growth of KPL's business. Moreover, the generic formulation industry faces stiff competition from numerous contract manufacturers, multinational corporations as well as established domestic brands, restricting the company's pricing flexibility.

Susceptibility to fluctuations in raw material prices and foreign exchange – KPL's profitability also remains exposed to volatility in the raw material prices. Moreover, the absence of adequate hedging mechanisms exposes it to risks pertaining to adverse currency movement.

Environmental and social risks

Environmental concerns – KPL does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations with regard to breach of the waste and pollution norms, which can result in an increase in operating costs and new capacity instalment costs. This can also require capital investments to upgrade its effluent treatment infrastructure to reduce the carbon footprint and waste generation.

Social considerations – KPL faces elevated industry-wide social risks related to product safety and its associated litigation risks, access to qualified personnel for R&D and process engineering and maintenance of high manufacturing compliance standards.

Liquidity position: Adequate

KPL's liquidity is Adequate, evidenced by its cash and liquid investments aggregating to approximately Rs. 34.0 crore as of September 30, 2025 and undrawn working capital limits of around Rs. 40 crore. Healthy cash flows from operations, on-balance sheet liquidity and unutilised working capital limits are expected to be adequate to meet the company's medium-term repayment obligations and fund part of its ongoing capital expenditure (capex) plans. The capex is estimated at around Rs. 70 crore in FY2027 and around Rs. 40 crore in FY2028, to be partly funded from its existing liquidity and partly through debt.

Rating sensitivities

Positive factors – ICRA could upgrade KPL's ratings if the company witnesses a healthy growth in revenue and earnings, driven by scaling up of its new product launches including the biosimilars, while maintaining adequate liquidity position and comfortable debt protection metrics.

Negative factors – Negative pressure on KPL's ratings could arise in case of considerable pressure on revenues and earnings and/or a higher-than expected debt-funded capex or further stretch in the working capital cycle results in deterioration in the company's credit metrics. A specific metric that could cause a downgrade of KPL's ratings is if the total debt/OPBDITA is above 2.5 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	For arriving at the ratings, ICRA has considered the consolidated financials of KPL as enlisted in Annexure-III.

About the company

KPL was incorporated in 1983 as a private limited company, promoted by Mr. Ramesh Arora. The company was reconstituted to a closely held public limited company in 1993 and got listed on the SME platform of the Bombay Stock Exchange in July 2016

and subsequently migrated to the main board of BSE Limited in June 2022. It manufactures pharmaceutical formulations in the form of injectables, tablets, capsules, and syrups. It has two units each in Amritsar (Punjab) and Kangra (Himachal Pradesh); the Kangra unit commenced production in October 2008.

Key financial indicators (audited)

KPL (consolidated)	FY2024	FY2025	9M FY2026*
Operating income (OI)	308.7	371.6	346.0
PAT	23.6	39.8	42.0
OPBDIT/OI	22.0%	22.0%	23.0%
PAT/OI	7.7%	10.7%	12.2%
Total outside liabilities/Tangible net worth (times)	0.8	0.7	-
Total debt/OPBDIT (times)	1.4	1.4	-
Interest coverage (times)	6.5	8.3	9.8

Source: Company, ICRA Research; * Result 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:

Credit rating agency	Ratings	PR date
CRISIL	Crisil B /Stable (ISSUER NOT COOPERATING; Rating continues at the same level)/ Crisil A4 (ISSUER NOT COOPERATING; Rating continues at the same level)	September 25, 2025

Source: CRISIL PR

Any other information: None

Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years					
		FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	May 07, 2026	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-term	-	-	Dec 05, 2025	[ICRA]B+(Stable); ISSUER NOT COOPERATING	Oct 22, 2024	[ICRA]B+(Stable); ISSUER NOT COOPERATING	Aug 28, 2023	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
Fund-based/Non-fund based limits	Long-term/Short-term	160.00	[ICRA]BBB+(Stable)/[ICRA]A2	-	-	-	-	-	-
Term loans	Long-term	40.00	[ICRA]BBB+(Stable)	Dec 05, 2025	[ICRA]B+(Stable); ISSUER NOT COOPERATING	Oct 22, 2024	[ICRA]B+(Stable); ISSUER NOT COOPERATING	Aug 28, 2023	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
Non-fund based limits	Short-term	-	-	Dec 05, 2025	[ICRA]A4; ISSUER NOT COOPERATING	Oct 22, 2024	[ICRA]A4; ISSUER NOT COOPERATING	Aug 28, 2023	[ICRA]A4+; ISSUER NOT COOPERATING
Unallocated limits	Long-term/Short-term	-	-	Dec 05, 2025	[ICRA]B+(Stable); ISSUER NOT COOPERATING/[ICRA]A4; ISSUER NOT COOPERATING	Oct 22, 2024	[ICRA]B+(Stable); ISSUER NOT COOPERATING/[ICRA]A4; ISSUER NOT COOPERATING	Aug 28, 2023	[ICRA]BB+(Stable); ISSUER NOT COOPERATING/[ICRA]A4+; ISSUER NOT COOPERATING

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA-rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under regulatory purview of various FSR as under:

Sr. No.	Activity name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSR other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term – Fund-based/Non-fund based limits	Simple
Long-Term – Fund based – Term Loans	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term/Short-term – Fund-based/Non-fund based limits	NA	NA	NA	160.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	Long-term – Fund-based – Term loans	Aug 16, 2025	8.1%	Aug 16, 2030	40.00	[ICRA]BBB+ (Stable)

Source: Company

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

Annexure III: List of entities considered for consolidated analysis:

Company name	KPL ownership	Consolidation approach
Kwality Pharmaceuticals Africa Limitada	51.00%	Full consolidation

Source: KPL's annual report for FY2025

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