June 10, 2026

Allchem Lifescience Limited: Ratings reaffirmed; outlook revised to stable from positive; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term Loan	74.60	100.66	[ICRA]BBB- (Stable); reaffirmed; outlook revised to Stable from Positive; assigned for enhanced amount
Long-term/ Short-term – Fund-based/ Non-fund based – Working Capital	40.50	40.50	[ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed; outlook revised to Stable from Positive
Long-term/ Short-term – Unallocated	1.90	13.75	[ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed; outlook revised to Stable from Positive; assigned for enhanced amount
Total	**117.00**	**154.91**	

Instrument details are provided in Annexure II

Rationale

The revision in the rating outlook of Allchem Lifescience Limited (Allchem/the company) reflects its weaker-than-expected performance in FY2026 when its revenues declined and its margins contracted sharply, following significant pricing pressures that impacted its realisations, despite the production volumes being largely in line with the previous fiscal. The decline in revenues and margins also resulted in a moderation in the company's debt metrics. Further, ICRA notes that some orders that were scheduled to be delivered in Q4 FY026 were deferred to Q1 FY2027 on account of the uncertainties following the West Asia conflict. Going forward, Allchem's ability to improve its revenues and revive its margins in FY2027 will be a key rating monitorable.

The ratings continue to factor in Allchem's established track record in the intermediates space, along with the extensive experience of its promoter in the pharmaceutical industry. The company has a diversified customer base, including reputed pharmaceutical companies such as Lupin Limited, Viyash Scientific Limited and Unichem Laboratories Limited. Allchem has developed strong relationships with its customers, ensuring repeat orders. The company's customer diversification remains healthy, with its top 10 customers accounting for around 48.4% of its revenues in FY2026. Further, it has developed and commercialised a product portfolio of over 400 molecules, including drug intermediates and speciality chemicals, with the top 10 products generating around 58.9% of the revenues in FY2026.

The company completed the expansion of its manufacturing facilities in FY2025 and is currently operating at its full installed capacity of 180 MTPM. It is currently well-positioned to cater to any incremental demand without requiring any near-term capex for further capacity addition. ICRA also notes that the company commissioned its solar power plant in FY2026, which is expected to result in savings on its power costs, thereby helping to mitigate inflationary pressure on raw material costs to a certain extent. Going forward, Allchem's ability to ramp up utilisation of the enhanced capacity will remain a key monitorable.

The company reported an 11.1% decline in revenue in FY2026, primarily on account of decline in realisations owing to pricing pressures, amid heightened competition in addition to deferral of some revenues from Q4 FY2026 to Q1 FY2027 on account of the West Asian conflict. Consequently, the company's operating margins contracted to 33.4% in FY2026 from 43.6% in FY2025. This margin contraction was primarily because of lower-than-expected revenues impacting the company's operating leverage, coupled with elevated pricing pressures, which affected the company's gross margins to a certain extent. However, ICRA notes that despite the inflationary cost environment, Allchem was able to maintain an OPBDITA margin above 33%, supported by strategic and operational initiatives such as the selective execution of higher-margin orders, scaling up batch sizes, efficient procurement practices, and maintaining a robust supply chain.

The company witnessed a sharp increase in its working capital intensity to 65.7% in FY2026 (from 52.3% in FY2025), primarily due to lower-than-expected revenues in FY2026, deferral of orders, and its strategic initiative to increase inventory in line with the expanded capacity. While the higher inventory is expected to support the execution of larger orders and reduce turnaround time for customers, the company's ability to reduce its working capital intensity will remain a key monitorable.

The ratings also take into account the moderation in Allchem's debt metrics during FY2026. The company availed incremental term debt for its capacity expansion and the solar power project in FY2025 and FY2026, respectively, which resulted in a steady increase in its debt levels. Coupled with contraction in operating margins, this led to gearing and TD/OPBDITA of 1.6x and 3.1x, respectively, as on March 31, 2026 (provisional), compared to 1.6x and 2.0x, respectively, as on March 31, 2025. The interest coverage ratio also declined to 3.7 times in FY2026 (provisional) from 6.3 times in FY2025. Similarly, the debt service coverage ratio (DSCR) declined to 1.7 times in FY2026 from 3.5 times in FY2025. Going forward, timely ramp up of the expanded capacity and its impact on the company's revenues and margins will remain a key monitorable.

ICRA also notes that Allchem operates in a highly competitive industry, exposing it to pricing pressures. Additionally, as its end customers (Active Pharmaceutical Ingredient-API manufacturers) are subject to stringent regulatory oversight, the company is required to maintain high-quality standards in its operations. The company's profitability also remains exposed to volatility in raw material prices and foreign exchange rates. Allchem is a net exporter and currently does not have any formal hedging policy in place.

ICRA further notes that the company filed its Draft Red Herring Prospectus (DRHP) with Securities and Exchange Board of India (SEBI) for its Initial Public Offering (IPO) on March 13, 2025. It has received the necessary approvals from shareholders, stock exchanges, and SEBI. The approval to launch its IPO expires on September 30, 2026.

Key rating drivers and their description

Credit strengths

Strong promoter background and established track record of Allchem in manufacturing drug intermediates – Mr. Bipin Patel is the founder and promoter of the company and has over two decades of experience in the pharmaceutical industry. He has been actively involved in Allchem's core operations and was instrumental in diversifying its product portfolio. Allchem has an established track record of manufacturing drug intermediates, which are well received by its customers.

Strong relationships with customers ensure repeat orders; diversified product portfolio – The company's proven capabilities have enabled it to secure orders from reputed clients. The company's customer diversification remains healthy with revenue from its top-10 customers standing at around 48.4% in FY2026 (around 50.4% in FY2025). At present, the company has a diverse product portfolio of over 400 molecules, including chemicals, drug intermediates and speciality chemicals, with its top-10 molecules contributing around 58.9% to its revenues in FY2026.

Technical competence to develop new chemical intermediates and update product offerings – Since its incorporation as a proprietorship firm in 2003, the company spent almost a decade on research and development (R&D), enabling it to develop more than 250 intermediates, before commencing commercial production from 2013. At present, the company has a product portfolio of over 400 molecules and a wide spectrum of reaction capabilities that can be combined to create new intermediates. Allchem updates its product offerings on a regular basis, thereby supporting its business prospects. In FY2026, the company commercialised 10 new products, which are being supplied to the same customer base. The company's broad product portfolio helps to strengthen customer relationships and support business prospects.

Despite contraction in FY2026, operating margins remain healthy – Despite an 11% decline in revenues in FY2026, the company was able to sustain operating margins above 33%. This was largely on the back of its ability to custom synthesise niche products and its strong technical capabilities. Going forward, Allchem's ability to improve its revenues and margins amid an inflationary pricing environment, following the West Asia conflict, will remain a key rating monitorable.

Credit challenges

Moderate scale of operations, restricting operational flexibility to some extent – The company's scale of operations remains moderate, restricting its operational flexibility and the benefits from the economies of scale to a certain extent. However, with the ramp up of commercial operations for the expanded capacity, the scale is expected to improve, going forward.

Operates in highly competitive and regulated industry – The company operates amid intense competition, exposing it to pricing pressure. However, its established relationships with customers and the substantial time required to procure suppliers approved by the Drug Master File (DMF) of API manufacturers help mitigate the competition to a certain extent. API manufacturers, who are Allchem's end-customers, are subject to regulatory oversight and, thus, the company is also expected to maintain high quality standards in its operations.

Modest debt coverage metrics and high working capital intensity –The total project cost for the capacity expansion undertaken by the company (for which FY2025 was the first full fiscal of production) was Rs. 128.8 crore, which was funded through a combination of internal accruals and term loan from banks. The company has also availed term debt for setting up its power plant, which was completed in FY2026. This resulted in a steady increase in Allchem's debt levels. Further, its operating margins also contracted in FY2026, resulting in moderation in debt coverage metrics, wherein the TD/OPBDITA and gearing stood at 3.1 times and 1.6 times, respectively, as on March 31, 2026. The interest coverage ratio declined to 3.7 times in FY2026 compared to 6.3 times in FY2025, and DSCR also declined to 1.7 times in FY2026 from 3.5 times in FY2025. The company also witnessed a sharp increase in its working capital intensity to 72% in FY2026 (from 52.3% in FY2025), which rose primarily owing to the company's decision to improve its inventory level in line with its expanded capacity. While the higher inventory will help cater to larger purchase orders and reduce the turnover time for its customers, movement in working capital intensity will be a key monitorable, going forward.

Susceptible to fluctuations in raw material prices, foreign exchange rates – The company's profitability remains exposed to adverse volatility in raw material prices. Its export sales mix remained in the range of 30-40% over the last three years; and being a net exporter, Allchem's margins are susceptible to forex volatility in the absence of any active hedging mechanism.

Liquidity position: Adequate

Allchem's liquidity position remains adequate, supported by an available working capital buffer of Rs. 26.6 crore against sanctioned limits of Rs. 40.5 crore as on March 31, 2026. The company's average working capital utilisation stood at around 72% of the sanctioned limit of Rs. 40.5 crore during April 2025–March 2026. Allchem is expected to incur maintenance capex, to be funded through internal accruals. The company has scheduled repayment obligations of Rs. 17.6 crore in FY2027 and Rs. 18.0 crore in FY2028 towards its existing debt. Overall, ICRA expects the company to be able to meet its near-term commitments through healthy accruals from its business operations.

Rating sensitivities

Positive factors – ICRA could upgrade the company's ratings, in case of any significant increase in the scale of operations (by improving its capacity utilisation) and net worth with improvement in its liquidity position, while maintaining its healthy profit margins and debt metrics.

Negative factors – Pressure on the ratings could arise if there is any material deterioration in its revenues and earnings on account of continued pricing pressure leading to moderation in debt metrics and liquidity position, resulting in total debt/OPBDITA greater than 3.0 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

Allchem Lifescience Limited manufactures intermediates for generic and soon-to-be off-patent innovator molecules, speciality chemicals and custom synthesis for customers in the pharmaceutical industry.

Allchem Laboratories was established in 2003 as a proprietorship concern with a small pilot plant by Mr. Bipin Patel. In 2017, it was renamed as Allchem Lifescience Pvt. Ltd. Further, it was converted into a public limited company in 2024 and renamed as Allchem Lifescience Limited. Till 2013, the company mainly focused on R&D and product development, manufacturing more than 250 intermediates. In 2013, the company commenced commercial production for already developed intermediates. With continuous focus on R&D, the company now has the ability to supply intermediates for more than 400 products/molecules. The company's plant is at Vadodara, Gujarat, with a current production capacity of 180 MTPM. The company manufactures intermediates, which are mainly used in antihypertensive, antidepressant and antipsychotic therapies. Allchem has more than 200 employees at present, and caters to over 150 customers.

Key financial indicators (audited)

Allchem (standalone)	FY2024(Restated)	FY2025	FY2026*
Operating income	138.0	152.6	135.7
PAT	23.4	24.1	7.6
OPBDIT/OI	38.3%	43.6%	33.4%
PAT/OI	17.0%	15.8%	5.6%
Total outside liabilities/Tangible net worth (times)	1.8	1.6	1.6
Total debt/OPBDIT (times)	2.0	2.0	3.1
Interest coverage (times)	8.3	6.3	3.7

*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:

CRA	Rating	Release Date
CARE	CARE B+/Stable/CARE A4; ISSUER NOT COOPERATING	September 26, 2025
BWR	BWR BB-/Stable/BWR A4; ISSUER NOT COOPERATING; Withdrawal	January 08, 2026

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2027) Amount rated (Rs. crore)	Jun 10, 2026	Chronology of rating history for the past 3 years FY2026 Date	FY2026 Rating	FY2025 Date	FY2025 Rating	FY2024 Date	FY2024 Rating
Term Loan	Long term	100.66	[ICRA]BBB- (Stable)	Sep 25, 2025	[ICRA]BBB- (Positive)	Jul 09, 2024	[ICRA]BBB- (Positive)	May 18, 2023	[ICRA]BBB- (Stable)
Working Capital	Long term /Short term	40.50	[ICRA]BBB- (Stable)/ [ICRA]A3	Sep 25, 2025	[ICRA]BBB- (Positive)/ [ICRA]A3	Jul 09, 2024	[ICRA]BBB- (Positive)/ [ICRA]A3	-	-
Unallocated Limits	Long term /Short term	13.75	[ICRA]BBB- (Stable)/ [ICRA]A3	Sep 25, 2025	[ICRA]BBB- (Positive)/ [ICRA]A3	Jul 09, 2024	[ICRA]BBB- (Positive)/ [ICRA]A3	May 18, 2023	[ICRA]BBB- (Stable)/ [ICRA]A3
Working Capital	Short term	-	-	-	-	-	-	May 18, 2023	[ICRA]A3

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 the regulatory purview of various Financial Sector Regulators (FSRs), 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 the regulatory purview of various FSRs, 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

Sr. No.	Activity Name	FSR
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 FSRs other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term Fund-based – Term Loan	Simple
Long term /Short term – Fund-based/ Non-Fund based- Working Capital	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term Loan**	FY2022	9.0-9.5%	FY2032	100.66	[ICRA]BBB- (Stable)
NA	**Fund-based/ Non-Fund based- Working Capital**	NA	NA	NA	40.50	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	**Unallocated**	NA	NA	NA	13.75	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure III: List of entities considered for consolidated analysis – Not applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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