

May 09, 2025

Orbit Lifescience Private Limited: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|------------------------------------|--------------------------------------|-------------------------------------|-----------------------------------------|
| Long-term fund based – Cash Credit | 13.50 | 13.50 | [ICRA]BB (Stable); reaffirmed |
| Short-term Non-fund based – Others | 16.50 | 16.50 | [ICRA]A4+; reaffirmed |
| Long-term/Short term – Unallocated | 0.50 | 0.50 | [ICRA]BB (Stable)/[ICRA]A4+; reaffirmed |
| Total | 30.50 | 30.50 | |

*Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings for the bank lines of Orbit Lifescience Private Limited (OLPL) consider the expected modest improvement in its operational and financial performance over the medium term. This is supported by the established track record and the extensive experience of the promoters in the trading/contract manufacturing business. The ratings also consider the steady growth in OLPL's scale of operations, registering a CAGR of 22.8% in its revenues over the last three years ending FY2024. However, OLPL's revenue declined by ~16% on a YoY basis to Rs. 160.1 crore in FY2025 (Provisional) due to a decline in export orders from a key customer. Despite its operating margins remaining low, a modest ~50 bps increase to ~3% YoY was witnessed in FY2025 (Provisional). It is expected to remain at similar levels over the medium term.

The ratings, however, remain constrained by the moderate scale of operations and low profitability levels due to the trading nature of the business and subdued coverage indicators, driven by elevated borrowing levels for working capital requirements. Given the limited net worth base, the capital structure remains leveraged, driven by weak cash accruals and the inherent low profitability, owing to the trading nature of the business. Besides, the company's receivable days remained elongated due to the extended credit offered to its customers.

The Stable outlook on the long-term rating reflects ICRA's expectation of an improvement in revenues and operating metrics of OLPL over the medium term. Further, the outlook underlines ICRA's expectation that OLPL's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Experience of promoters and established track record in trading/contract manufacturing operations– Mr. Amit Sheth and Mr. Ashish Sheth, sons of Mr. Arvind Sheth (now retired), are currently managing the day-to-day operations of the business. The family has been in the same line of business for more than four decades. The management team's resourcefulness, coupled with its industry connections, led to the addition of orders as reflected by the steady growth in OLPL's operating income over the years.

Diversified product portfolio and established relationships with reputed pharma players in domestic and international markets – OLPL trades in a diversified product portfolio, comprising tablets/capsules, oral liquid syrups, dry powder injections and syrups, dental rotary files, inhalers, etc. OLPL's products remain diversified with ~400 finished formulation products and active pharmaceutical ingredients (APIs), catering to various segments such as antibiotics, antidiabetics, vitamins, analgesics, female hygiene, cosmetics, gastro, respiratory and non-steroidal anti-inflammatory drugs (NSAIDs). OLPL has tie-ups with 11

licensed plants for contract manufacturing of formulations in India. It has established relationships with reputed pharmaceutical players in the domestic and international markets (Mexico, Vietnam, the UAE, and some European countries) with a diversified geographical presence.

Credit challenges

Moderate scale of operations and thin profit margins due to trading nature of operations – OLPL’s scale of operations remained moderate, and its operating income declined by ~16% on a YoY basis to Rs. 160.1 crore in FY2025 (Provisional). Further, the company’s operating margin is inherently low due to the trading nature of its operations and has remained range-bound between 2-3% over the last three fiscal years.

Leveraged capital structure and coverage indicators – The capital structure has remained leveraged, as reflected by the gearing of 1.8 times in FY2024, due to a low net worth base and the working capital-intensive nature of the business. Despite the debt protection metrics remaining weak, it has improved, and the interest cover stood at 2.7 times for FY2025 compared to 2.0 times for FY2024. Further, the debt protection metrics are expected to improve over the medium term with traction in the top line and commensurate impact on margins.

Presence in competitive and regulated industry – The domestic API and formulations industry typically encounters stiff competition from numerous contract manufacturers, MNCs and established domestic brands, having a pan-India presence. The intense competition restricts OLPL’s revenue growth and pricing flexibility. However, its presence in export markets mitigates such constraints to some extent. Further, the company’s products remain exposed to regulatory restrictions in terms of pricing caps in domestic markets, product/facility approvals and socio-political environments in the respective export destinations.

Liquidity position: Adequate

OLPL’s liquidity position is expected to remain adequate, supported by a cushion in working capital facilities (average working capital utilisation of 24% during the 12 months ending in February 2025), with buffer available to the extent of ~Rs. 10 crore as of the end of February 2025, limited scheduled debt repayments and the absence of any major capex in the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade OLPL’s rating if there is a significant and sustained increase in scale and profitability, leading to healthy cash accruals, thereby strengthening the net worth base. Efficient working capital management, restricting borrowing levels and improvement in overall liquidity profile will also be positive factors for the rating. Specific credit metrics that could lead to an upgrade will be interest coverage of more than 2.5 times on a sustained basis.

Negative factors – Pressure on OLPL’s rating could arise if a substantial decline in scale and profitability, leading to lower-than-expected cash accruals or further deterioration in the working capital cycle, impacting its overall liquidity profile. Any significant write-offs that further impact on the financial profile/net worth base will also be a negative rating trigger.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|---------------------------------------------------------------------|
| Applicable rating methodologies | Corporate Credit Rating Methodology Pharmaceuticals |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | The ratings are based on the company’s standalone financial profile |

About the company

Orbit Lifescience Private Limited, a business unit of the Orbit Group, was incorporated in 2003. The company is involved in the trading of APIs and contract manufacturing of formulations. It has also expanded into in-licensing formulation products. The company sells its products to customers in Mexico, the UAE, Vietnam, the USA and some European countries. OLPL's contract manufacturers are spread across several states in India.

Key financial indicators (audited)

| | FY2023 | FY2024 | FY2025* |
|------------------------------------------------------|--------|--------|---------|
| Operating income | 143.9 | 190.9 | 160.1 |
| PAT | 1.3 | 0.2 | - |
| OPBDIT/OI | 3.4% | 2.5% | 3.0% |
| PAT/OI | 0.9% | 0.1% | - |
| Total outside liabilities/Tangible net worth (times) | 4.7 | 4.0 | - |
| Total debt/OPBDIT (times) | 7.5 | 5.7 | - |
| Interest coverage (times) | 1.9 | 2.0 | 2.7 |

Source: Company, ICRA Research; * provisional number, 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 | Current rating (FY2026) | | | Chronology of rating history for the past 3 years | | | |
|------------------|-------------------------|--------------------------|------------------------------|---------------------------------------------------|-------------------------|-------------------------|---------------------|
| | Type | Amount rated (Rs. crore) | May 09, 2025 | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | |
| | | | | Apr 23, 2024 | - | Feb 10, 2023 | Jul 26, 2022 |
| 1 Cash Credit | Long term | 13.50 | [ICRA]BB (Stable) | [ICRA]BB (Stable) | - | [ICRA]BB (Stable) | [ICRA]BB (Negative) |
| 2 Non-fund based | short term | 16.50 | [ICRA]A4+ | [ICRA]A4+ | - | [ICRA]A4+ | [ICRA]A4+ |
| 3 Unallocated | Long term/ Short term | 0.50 | [ICRA]BB (Stable)/ [ICRA]A4+ | [ICRA]BB (Stable)/ [ICRA]A4+ | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|------------------------------------|----------------------|
| Long-term fund based – Cash credit | Simple |
| Short-term Non-fund based – Others | Very simple |
| Long term/Short term – Unallocated | 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 | Cash credit | NA | NA | NA | 13.50 | [ICRA]BB (Stable) |
| NA | Non-Fund based | NA | NA | NA | 16.50 | [ICRA]A4+ |
| NA | Unallocated | NA | NA | NA | 0.50 | [ICRA]BB (Stable)/ [ICRA]A4+ |

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

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Srikumar Krishnamurthy

+91 44 4596 4318

ksrikumar@icraindia.com

Ramakrishnan G S

+91 44 4596 4300

g.ramakrishnan@icraindia.com

Trusha Mahendra Patil

+91 94 2350 3574

trusha.patil@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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