September 22, 2025

Sakar Healthcare Limited: Ratings reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Cash credit	39.00	39.00	[ICRA]BBB (Positive); reaffirmed and outlook revised to Positive from Stable
Long-term fund-based – Term loan	62.76	68.18	[ICRA]BBB (Positive); reaffirmed and outlook revised to Positive from Stable
Long-term/ Short-term – Unallocated limits	16.24	10.82	[ICRA]BBB (Positive)/[ICRA]A3+; reaffirmed and outlook revised to Positive from Stable
Total	**118.00**	**118.00**	

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook on the long-term rating to Positive reflects the expected improvement in Sakar Healthcare Limited's (SHL) credit profile, driven by the anticipated scale-up in operations, particularly in the oncology segment. The company's oncology business is expected to benefit from product registrations in markets such as Africa and Latin America, as well as a contract manufacturing agreement with Accord Healthcare Limited signed in February 2025. Additionally, the demand for SHL's products in other therapeutic segments is also expected to remain stable. In FY2025, SHL's revenues grew by a healthy 16% to Rs. 178 crore, supported by around 80% increase in oncology revenues, albeit on a lower base. Going forward, the company's revenues are expected to grow at a healthy pace of 8-12% in FY2026, aided by continued strong growth in the oncology segment. The company's operating margins improved to 28.4% in FY2025 from 25.4% in FY2024, driven by a strategic focus on higher-margin products and a rising contribution from the oncology segment, which offers higher profitability compared to the company's legacy portfolio. The company's operating margin moderated by 200 bps in Q1 FY2026 owing to increased raw material costs and higher employee expenses following a manpower revamp. However, margins are expected to improve, going forward, on the back of increase in scale of operations and higher share of revenues from the oncology segment.

The ratings take comfort from SHL's proven track record of nearly two decades in the pharmaceutical formulations industry, its relatively diversified product profile and geographical presence. The ratings consider the company's comfortable financial profile characterised by healthy margins, and comfortable capital structure and debt metrics. Its debt protection metrics improved over the past few fiscals as the large portion of the equity infusion in FY2024 was utilised towards prepaying the long-term borrowings.

The ratings, however, remain constrained by the moderate scale of operations amid intense competition in the generic formulations industry and vulnerability of profitability to fluctuations in raw material as well as forex changes. ICRA notes that the company carried out a large debt-funded capex towards the oncology segment (active pharmaceutical ingredients or APIs, formulations and injectables) during FY2022–FY2024. The scaling up of the oncology unit, however, has remained slow, given the major product registrations from key export destinations, which were delayed till FY2025. SHL's ability to successfully scale-up the oncology unit and generate commensurate returns from the capex remains critical for improvement in RoCE. The rating also remains constrained by SHL's exposure to regulatory pertaining to product and facility approvals/ socio-political risks in export destinations.

Key rating drivers and their description

Credit strengths

Established track record of nearly two decades in the pharmaceutical formulations industry – The company has an established track record of operations of nearly two decades in manufacturing pharmaceutical formulations. SHL manufactures generic formulations in 24 therapeutic categories, such as antibiotics, antihistamine, antifungal, cough preparation, and vitamins, among others. Further, the promoters also have an extensive experience in the industry, with Mr. Sanjay S. Shah, SHL's Chairman and Managing Director, having an extensive experience of three decades in the pharmaceutical, mineral water and plastic industries.

Diversified product portfolio and geographic presence – The company's product profile is diversified, comprising liquid injectables, tablets/ capsules, oral liquid syrups, dry powder injections and syrups. SHL's product portfolio includes over 300 product registrations for various therapeutic segments, such as antibiotics, anti-cold drugs, anti-malarial, and multi-vitamins, among others. Moreover, it has a diversified regional presence in the domestic market and exports primarily to various African and Southeast Asian markets, including the Philippines. The company is increasing its focus on exports, owing to the intense competition in the domestic generic formulations industry. Export sales have grown at a CAGR of 12% over the five years ending in FY2025, reaching around Rs. 99 crore in FY2025. Further, the company has ventured into manufacturing oncology drugs covering formulations, APIs, and injectables, which is expected to further enhance its product mix and strengthen its market position, subject to successful scale-up of operations in this segment. Furthermore, in February 2025, the company entered into a contract manufacturing agreement with Accord Healthcare Limited, which is expected to support the scale-up of operations from its oncology unit.

Healthy financial risk profile characterised by comfortable capital structure and debt coverage indicators – The company's capital structure improved over the past few fiscals, with gearing improving to 0.3 times in FY2025 over 0.7 times in FY2023, on the back of equity infusion in FY2024. The total debt decreased to Rs. 65.0 crore as on March 31, 2025 from Rs. 101.1 crore as on March 31, 2023, on account of prepayment of term loans from the series of equity infusions in FY2024. The company has raised a total equity of Rs. 178.6 crore over FY2017-FY2025 through an initial public offering (IPO) and preferential allotment to promoter/ non-promoter groups, mainly for funding its capex requirements. Given the healthy operating margins and reduced debt levels, SHL's debt coverage indicators remained comfortable, with Total Debt/OPBDITA at 1.7 times and interest coverage at 5.9 times in FY2025, compared to 2.0 times and 5.2 times, respectively, in FY2024. The coverage metrics are likely to remain comfortable over the near to medium term, supported by limited reliance on debt-funded capex and sustained profitability.

Credit challenges

Ability to successfully scale up oncology unit remains critical for overall growth – SHL undertook a debt-funded capex for a new plant to manufacture oncology drugs. The formulation unit started commercial operations from October 2021 and the API unit from July 2022, while the injectable unit commenced operations from April 2023 (delayed from December 2022). The scaling up of the oncology unit has been slow, and the company recorded a sale of around Rs. 36 crore in FY2025. Hence SHL's ability to scale-up its operations from the oncology unit and generate commensurate returns from the debt-funded capex remains critical for a material growth in scale of operations and an improvement in RoCE. The company is also in the process of seeking approvals for its oncology products in key export markets to expand its geographic presence; hence, the ability to timely receive the same to expand its customer profile remains critical for improvement in scale.

Moderate scale of operations – The company's revenue grew at a healthy CAGR of around 16% during FY2020-FY2025, albeit on a modest base, and it remains a mid-sized player in the intensely competitive generic formulations industry, with a revenue base of Rs. 178.1 crore as of FY2025. The domestic generic formulations industry faces stiff competition from numerous contract manufacturers, Multinational National Companies (MNCs) as well as established domestic brands, with some players also enjoying a pan-India presence. The intense competition further restricts SHL's revenue growth and pricing flexibility; however, its presence in export markets mitigates these constraints to some extent.

Profitability remains susceptible to fluctuations in raw material prices and risk associated with forex fluctuations – The company's major raw materials include APIs, such as paracetamol, artemether and diclofenac, which are procured from domestic suppliers. SHL's profitability, hence, remains susceptible to such raw material price fluctuations and its ability to fully pass on such costs remain critical to protect margins. Further, SHL is exposed to foreign exchange (forex) rate fluctuations as the receivables are in foreign currency, while most of its expenses are in INR. The company does not have any formal hedging policy in place; however, as most of its exports are against advance payment/ sight letters of credit (LCs), the foreign currency fluctuation risk is mitigated to an extent.

Inherent regulatory risk associated with pharmaceutical industry – The company's operations remain exposed to regulatory risks in terms of product/ facility approvals/ socio-political environment of export destinations. With increasing focus on exports, ICRA notes that timely product and facility approval/ renewal in various markets, along with a stable socio-political environment, remains critical for its revenue growth.

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. SHL remains exposed to evolving environmental regulations, including norms related to waste disposal and emissions, which could impact operating costs and future capacity expansion. The company has implemented structured monitoring of safety and environmental parameters and utilises modern equipment designed to minimise environmental impact.

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

SHL's liquidity position is adequate, with an undrawn limit of Rs. 29 crore as of July 2025 and expected retained cash flows of Rs. 30-35 crore in the next 12 months. These are expected to sufficiently cover the company's capex plans of Rs. 18-20 crore and debt repayment of Rs. 11-12 crore in the next 12 months.

Rating sensitivities

Positive factors – ICRA could upgrade SHL's ratings if there is a significant improvement in the operating income of the company on the back of scale-up of the new plant, while maintaining healthy profitability and debt coverage indicators.

Negative factors – The outlook could be revised to Stable if the scale-up of operations, especially from the new unit, is not material. Pressure on SHL's rating could also arise if there is any decline in operating income or material decline in operating margin, which could impact the coverage indicators or liquidity profile adversely. Specific credit metrics, which could lead to a rating downgrade will be DSCR below 1.5 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 taken a consolidated profile of SHL along with its wholly-owned subsidiary, Sakar Oncology Private Limited.

About the company

Incorporated in 2004, Sakar Healthcare Limited manufactures pharmaceutical formulations in the form of liquid injectables, tablets/ capsules, oral liquid syrups, dry powder injections and syrups. The company manufactures generic formulations in 24 therapeutic categories, such as antibiotics, cough preparations, vitamins and mineral supplements, among others. Also, the company entered the oncology drugs segment with units for oncology formulations, APIs and injectables in October 2021, July 2022 and April 2023, respectively. The company is listed on the National Stock Exchange (NSE), India. SHL is involved in contract manufacturing for leading brands in the domestic market as well as direct sales on principal-to-principal basis in the domestic and export markets.

SHL's manufacturing facility is at Changodar, near Ahmedabad, Gujarat. The unit is ISO 9001:2008 and WHO-GMP[1] certified. The company has also received EU-GMP[1] certification in accordance with EMA[1] standards, as well as INVIMA[1]-Colombia and Health Canada approvals. In addition, SHL has certifications from the national drug authorities of the countries it exports to, such as the Philippines, Uganda, Ivory Coast, Kenya, Zimbabwe, Cambodia and Peru, among others. The company currently holds over 300 marketing authorisations (registrations) in these countries. Sakar Oncology Private Limited (SOPL) was incorporated in June 2020 as a wholly-owned subsidiary of SHL. It was promoted to transfer the oncology operations under SHL; however, the same has not been completed yet and remains non-operational till date.

Key financial indicators (audited)

SHL	FY2024	FY2025
Operating income	154.2	178.1
PAT	11.7	17.5
OPBDIT/OI	25.4%	28.4%
PAT/OI	7.6%	9.8%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	2.0	1.7
Interest coverage (times)	5.2	5.9

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[1] *WHO-GMP – World Health Organisation-Good Manufacturing Practices; EU-GMP – European Union-Good Manufacturing Practices; EMA – European Medicines Agency; INVIMA-Colombia – Instituto Nacional de Vigilancia de Medicamentos y Alimentos-Columbia*

Rating history for past three years

	Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-Term	39.00	Sep 22, 2025	[ICRA]BBB (Positive)	Jun 28, 2024	[ICRA]BBB (Stable)	-	-	Mar 10, 2023	[ICRA]BBB (Stable)
Term loan	Long-Term	68.18	Sep 22, 2025	[ICRA]BBB (Positive)	Jun 28, 2024	[ICRA]BBB (Stable)	-	-	Mar 10, 2023	[ICRA]BBB (Stable)
Unallocated Limits	Long-Term/ Short-Term	10.82	Sep 22, 2025	[ICRA]BBB (Positive)/ [ICRA]A3+	Jun 28, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	Mar 10, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Cash credit	Simple
Long-term fund based – Term loan	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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term fund based – Cash credit**	NA	NA	NA	39.00	[ICRA]BBB (Positive)
NA	**Long-term fund based – Term loan**	FY2021	NA	FY2030	68.18	[ICRA]BBB (Positive)
NA	**Long-term/Short-term – Unallocated Limits**	NA	NA	NA	10.82	[ICRA]BBB (Positive)/ [ICRA]A3+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Sakar Oncology Private Limited	100.00%	Full consolidation

Source: Company

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