

May 27, 2024

Indoco Remedies Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long-term – Fund-based – Term Loans	231.50	231.50	[ICRA]AA- (Stable)
Long-term – Fund-based Limits – Cash Credit	29.40	29.40	[ICRA]AA- (Stable)
Short-term – Fund-based Limits	35.00	35.00	[ICRA]A1+
Short-term – Non-fund Based Limits	20.25	20.25	[ICRA]A1+
Long-term/ Short-term – Fund-based Limits	25.00	25.00	[ICRA]AA- (Stable)/ [ICRA]A1+
Long-term/ Short-term – Unallocated	159.21	159.21	[ICRA]AA- (Stable)/ [ICRA]A1+
Total	500.36	500.36	

*Instrument details are provided in Annexure

Rationale

Material Event

Indoco Remedies Limited (Indoco/ the company) has disclosed its Q4 FY2024 and FY2024 financial results to the stock exchanges on May 16, 2024.

Impact of Material Event

In FY2024, the company reported an operating income of Rs. 1817.3 crore (YoY growth of 8.8%) with an operating profit margin (OPM) of Rs.13.4%, as against 17.3% in FY2023. The company's total debt increased to Rs.672.0 crore as on March 31, 2024 compared to Rs.496.0 crore as on September 30, 2023. This has resulted in a moderation of the company's debt metrics with TD/OPBDITA of 2.8x as on March 31, 2024, compared to 1.9x as on September 30, 2023.

ICRA understands that the increase in debt levels is primarily due to fast-tracked capex in its wholly owned subsidiary Warren Remedies Limited towards setting up facilities for manufacturing toothpaste and active pharmaceutical ingredients (API). ICRA is engaging with the company's management to understand the credit implications of the same. ICRA will continue to monitor the development on this front and assess the impact on the credit profile as more clarity emerges. Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, and Rating sensitivities. [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Indoco; details in Annexure-II.

About the company

Indoco was established by Mr. Govind Ramnath Kare in 1945 as Indo Continental Trading Company. It was involved in importing pharmaceutical formulations from Europe and selling the same in India. In 1963, the current Chairman and Managing Director, Mr. Suresh G. Kare took over.

At present, Indoco manufactures and markets branded formulations, active pharmaceutical ingredients (APIs) and contract research and manufacturing services (CRAMS), with a strong presence in domestic formulations, which generated ~47% of its total revenues in FY2024. In the domestic business, Indoco has a prominent presence in the anti-infective, respiratory, gastrointestinal and dental segments, with its major brands positioned among the top five in their respective categories. Export formulations comprised ~42% of Indoco's revenues in FY2024, while APIs formed ~7% of its revenues in FY2024 with the rest generated by contract research and analytics.

IRL's formulations plants are located at Goa (three plants), Waluj (Aurangabad, Maharashtra) and Baddi (Himachal Pradesh), while its API plants are located at Patalganga (Maharashtra) and Rabale (Navi Mumbai). The facilities have been approved by most of the regulatory authorities including the USFDA and the UK-MHRA.

Key financial indicators (audited)

IRL	FY2022	FY2023	FY2024*
Operating income	1,542.1	1,670.0	1817.3
PAT	154.8	142.3	97.0
OPBDIT/OI	21.3%	17.3%	13.4%
PAT/OI	10.0%	8.5%	5.3%
Total outside liabilities/Tangible net worth (times)	0.6	0.6	0.9
Total debt/OPBDIT (times)	0.8	1.1	2.8
Interest coverage (times)	23.3	11.4	6.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore *Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 27, 2024	Oct 27, 2023	Aug 01, 2022	Jul 23, 2021
1 Fund-based – Term Loan	Long-term	231.50	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
2 Fund-based Limits – Cash Credit	Long-term	29.40	--	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
3 Fund-based Limits	Short-term	35.00	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 27, 2024	Oct 27, 2023	Aug 01, 2022	Jul 23, 2021
4	Non-fund Based Limits	20.25	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Fund-based Limits	25.00	--	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+
6	Unallocated	159.21	--	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+
7	Fund based limits	-	--	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund-based – Term Loan	Simple
Long-term - Fund-based Limits – Cash credit	Simple
Short-term - Fund-based Limits	Simple
Short-term - Non-fund Based Limits	Very Simple
Long-term/Short-term - Fund-based Limits	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	Term Loan	FY2023	NA	FY2030	231.50	[ICRA] AA- (Stable)
NA	Working Capital Facilities	NA	NA	NA	29.40	[ICRA] AA- (Stable)
NA	Fund-based Facilities	NA	NA	NA	35.00	[ICRA] A1+
NA	Non-fund Based Facilities	NA	NA	NA	20.25	[ICRA] A1+
NA	Fund-based Facilities	NA	NA	NA	25.00	[ICRA] AA- (Stable)/ [ICRA]A1+
NA	Unallocated	NA	NA	NA	159.21	[ICRA] AA- (Stable)/ [ICRA]A1+

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 as on March 31, 2024	Consolidation Approach
Xtend Industrial Designers & Engineers Pvt Ltd	100.00%	Full Consolidation
Warren Remedies Private Limited	100.00%	Full Consolidation
Indoco Remedies Czech sro	100.00%	Full Consolidation
Indoco Remedies UK Limited	100.00%	Full Consolidation
FPP Holding Company, LLC	85.00%	Full Consolidation

Source: Company Fillings.

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Kinjal Shah
+91 022 61143400
kinjal.shah@icraindia.com

Mythri Macherla
+91 80 4332 6407
mythri.macherla@icraindia.com

Gaurav Anand Kanade
+91 22 6114 3469
gaurav.kanade@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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For more information, visit www.icra.in

ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



Branches



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