

August 04, 2025

Indoco Remedies Limited: Ratings downgraded to [ICRA]A (Negative)/ [ICRA]A2+

Summary of rating outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loans	231.50	231.50	[ICRA]A (Negative); Downgraded from [ICRA]A+ (Negative)
Long-term – Fund-based Limits – Cash Credit	29.40	29.40	[ICRA]A (Negative); Downgraded from [ICRA]A+ (Negative)
Short-term – Fund-based Limits	75.00	75.00	[ICRA]A2+; Downgraded from [ICRA]A1
Short-term – Non-fund Based Limits	20.25	20.25	[ICRA]A2+; Downgraded from [ICRA]A1
Long-term/ Short-term – Fund-based Limits	25.00	25.00	[ICRA]A (Negative)/ [ICRA]A2+; Downgraded from [ICRA]A+ (Negative)/ [ICRA]A1
Long-term/ Short-term – Unallocated	119.21	119.21	[ICRA]A (Negative)/ [ICRA]A2+; Downgraded from [ICRA]A+ (Negative)/ [ICRA]A1
Total	500.36	500.36	

*Instrument details are provided in Annexure I

Rationale

The rating downgrade and the continuation of the negative outlook on the long-term rating take into account the deterioration in Indoco Remedies Limited's (IRL/ the company) revenues, operating net profit margins and debt metrics in FY2025 and the company's continued weak performance in Q1 FY2026. ICRA expects the company's debt metrics to remain impacted in FY2026 by high debt levels. The company's performance was weaker-than-expected in FY2025 and Q1 FY2026, primarily due to supply-side disruptions caused by the ongoing refurbishment of its manufacturing plants as part of its master manufacturing plan (MMP) and the ongoing remediation for its Goa facility. This impacted its sales to export markets, leading to a contraction in IRL's operating margins. Further, the company's continued investments in the over the counter (OTC) toothpaste segment have also impacted the margins to a certain extent.

While the company's total debt has reduced marginally to around Rs. 952 crore as on June 30, 2025 over Rs. 994 crore as on March 31, 2025, it remains elevated compared to Rs. 672 crore as on March 31, 2024. The increase was primarily driven by the ongoing capex for refurbishing manufacturing plants in Goa, Waluj (Maharashtra) and Baddi (Himachal Pradesh), additional lines at Sterile site in Goa and fast-tracked debt-funded capex in its wholly-owned subsidiary, Warren Remedies Limited, to establish facilities for toothpaste and active pharmaceutical ingredient (API) manufacturing. Overall, the company availed additional debt of about Rs. 264.3 crore in FY2025. Along with deterioration in operating profit margin (OPM) to 6.0% in FY2025 from 13.4% in FY2024, this resulted in a deterioration in its debt metrics.

The ratings, however, continue to draw comfort from IRL's established position in the domestic formulation segment and its diversified geographic presence. The company's experienced and professional management and its backward-integrated nature of operations provide further comfort.

The company reported a YoY revenue decline of 8.4% in FY2025 but showed some recovery in Q1 FY2026 with a YoY growth of 1.5% and QoQ growth of 12%. The decline in revenues in FY2025 was primarily driven by a contraction in its international formulation business comprising exports to the UK and the US. Overall, the international formulation business declined by around 34% in FY2025 due to disruptions caused by implementation of a master manufacturing plan at the Baddi facility, which

was postponed due to shipment delays from the original equipment manufacturer (OEM). Revenue from the US also declined due to supply constraints stemming from ongoing remediation efforts at the Goa facility to address the official action indicated (OAI) status, which led to the shutdown of a few production lines.

In contrast, the domestic formulation business saw a growth in FY2025 and Q1 FY2026 supported by sustained demand and healthy performance in key therapeutic segments, including gastrointestinal, dermatology, ophthalmology, vitamin/minerals/nutrients, urology and cardiology in FY2025 and anti-infective, stomatology, gastrointestinal and respiratory in Q1 FY2026. Besides the formulation segment, the API segment also witnessed growth of 2.9% in FY2025 and 17.3% in Q1 FY2026. Going forward, as the company's manufacturing capacity gradually comes back online, revenues and margins are expected to recover steadily.

The company's OPM deteriorated in FY2025 and continued to remain weak in Q1 FY2026 primarily due to expenditure towards ongoing remediations for the resolution of the OAI status for its Goa Plants II and III, increased employee costs and higher marketing expenses for the newly launched OTC toothpaste brand. Further, reduction in sales to export markets, which are usually margin-accretive, also impacted the company's margins. The margins for FY2026 are expected to improve gradually over the next few quarters as most of the remediation and upgradation cost are completed and larger batch sizes as part of the company's MMP result in better economies of scale. Trajectory and impact of the same on the company's debt metrics will remain a key monitorable. ICRA expects the company's investments in plant and process improvements, which will yield benefits in the medium-to-long term.

The ratings also factor in IRL's moderate scale of operations; although the same is expected to scale up, supported by improving presence in the domestic market, anticipated recovery in its supplies to export markets driven by a robust order book. While the company has received approval from the U.S. Food and Drug Administration (USFDA) to commence operations at two of its four lines, timely resolution of the warning letter remains a key monitorable. ICRA also notes that the Goa facility has recently received approval from the European authorities.

The company is expected to incur capex of Rs. 50 crore in FY2026 and around Rs. 50–60 crore in FY2027 towards maintenance capex and addition of new lines at Goa Plant II. The same is expected to be funded through internal accruals and funding which is already secured. Total debt/OPBDITA for the company increased to 10.0 times as on March 31, 2025 from 2.8 times as on March 31, 2024. The total interest coverage has also declined to 1.5 times in FY2025 and 0.7 times in Q1 FY2026 from 6.4 times in FY2024. While ICRA notes that the that the interest costs for Q1 FY2026 included mark-to-market losses of around Rs. 7.4 crore, which are notional in nature, interest cover adjusted for the same still remain below 1.0 times. ICRA expects debt indicators to improve gradually from FY2026, supported by the scheduled amortisation of term debt and improving cash accruals with a revival in sales from key export markets and the timely commencement and ramp-up of the expanded capacity. The impact of the same on the credit metrics will remain a key monitorable.

Key rating drivers and their description

Credit strengths

Experienced management team – At present, the company's operations are managed by Ms. Aditi Kare Panandikar and Mr. Sundeep Bambolkar, both of whom have over 30 years of experience in the pharmaceutical industry, supported by a professional management team.

Established brands in dental, respiratory, gastrointestinal and anti-infective therapies of domestic formulations market – IRL's presence in the domestic formulations market is primarily in mature molecules of acute therapies with intense competition. It has wide therapeutic coverage with a strong presence in anti-infective, respiratory, gastrointestinal, vitamin and stomatological therapies. The company enjoys a healthy reputation in the domestic market, with its major brands positioned among the top five of the respective therapy segments. However, given the mature molecules and the large number of players in the field, IRL's market share and pricing power remain low. Although the company's legacy brands in acute therapies such as respiratory and anti-infectives witnessed a revenue decline in FY2025, the domestic formulation segment

had a revenue growth supported by a healthy performance in therapies such as stomatological, urology, vitamins, dermatology and ophthalmology. The segment also benefited from extension of lifespan for some of its legacy products such as Cital-PM6 solution, Nasic OD, and Ezetrol in Q1 FY2026. Going forward, the domestic market is expected to render stable revenue growth for IRL in FY2026 and FY2027, supported by its strong market position in respective therapy segments.

Healthy geographic diversification – In FY2025 and Q1 FY2026, although the company witnessed a revenue decline in export formulations, it was partially offset by revenue growth in domestic formulations. IRL derived around 90% of its sales revenue in Q1 FY2026 from the formulation segment, with 53% of the segment's revenues generated by domestic markets and the rest from export markets. The company has a strong domestic presence, with its major brands positioned among the top five in respective therapy segments. In terms of export markets, regulated markets such as the US, Europe, South Africa, Australia and New Zealand generated 68% of its export formulation revenues, while the rest came from the emerging markets. Going forward, the revenues are expected to remain diversified, with stable growth from domestic markets and an expected gradual revival in revenues from key export markets.

Credit challenges

Pending resolution of OAI status from the USFDA for IRL's Goa Plants II and III – IRL's Goa Plants II and III were inspected by USFDA in February 2023 and received their OAI status in June 2023. While IRL was working on the remediation, USFDA audited the facility again in February 2024 and a warning letter was issued to the site in December 2024. IRL is working on remediating the same, and its US revenues from the site were impacted to some extent due to the ongoing refurbishment. USFDA has given approval for resumption of production for two lines of the four at the Goa Plant II recently. ICRA notes that the manufacturing facility for Oral Solid Dosage (OSD) at Goa Plant I continues to remain Current Good Manufacturing Practice (CGMP) compliant and supply to the US continues from this site. Going forward, any new Abbreviated New Drug Application (ANDA) filings from the facility will be approved only when the OAI status is resolved and, hence, timely resolution of the same remains a key monitorable.

Vulnerability to regulatory risks, raw material price and foreign exchange fluctuations – The company's operations remain exposed to regulatory risks due to increased scrutiny by the regulatory agencies and pricing controls in the domestic market. ICRA notes that the company derives some revenues from products under the National List of Essential Medicines (NLEM) but draws comfort from the fact that the same has not materially impacted its profit margins. Nevertheless, any adverse changes in Government price policies could lead to pricing pressures and affect the company's domestic formulations business. IRL's profitability is also vulnerable to fluctuations in raw material, packaging and freight costs and their impact on margins will remain a key monitorable. The company's margins also remain vulnerable to foreign exchange fluctuations due to its overseas operations and foreign currency borrowings despite hedging through forward contracts. ICRA notes that IRL capitalises development expenditures for ANDAs/Drug Master Files (DMFs)/dossiers and any higher-than-expected price erosion or lower-than-expected returns, exposes the company to the risk of impairment of intangibles.

Increasing working capital intensity of operations – The company's working capital intensity was moderately high at 37.7% in FY2025 and 34.0% in FY2024. For domestic sales, it typically offers a credit period of 7–90 days and for export sales, debtor days range from 30–120 days. The company's revenue from export markets (primarily in formulations) are working capital intensive and resulted in a moderate rise in inventory days. IRL encountered regulatory issues during FY2018-FY2019, leading to stretched payable days in FY2019. However, after the resolution of these issues and with improving cash accruals, IRL substantially reduced its creditor days. Consequently, the working capital intensity has increased since then. Going forward, as the company continues to focus on export markets, its working capital intensity is likely to remain in line with recent trends.

Sizeable debt-funded capex – While the company's total debt level has reduced marginally to around Rs. 952 crore as on June 30, 2025 over Rs. 994 crore as on March 31, 2025 it remains elevated compared to Rs. 672 crore as on March 31, 2024. The increase was primarily driven by the ongoing capex for refurbishing manufacturing plants in Goa and Baddi, and fast-tracked debt-funded capex in its wholly-owned subsidiary, Warren Remedies Limited, to establish facilities for toothpaste and API manufacturing. Overall, the company availed additional debt of about Rs. 264.3 crore in FY2025.

The company has funded its capex requirements with a mix of debt and internal accruals, with the debt component being 75-78%. Consequently, the Total debt/OPBDITA increased to 10.0 times as on March 31, 2025 from 2.8 times as on March 31, 2024. The rise in debt levels, combined with reduced operating margin, affected the coverage indicators as well, with the interest coverage ratio declining to 1.5 times in FY2025 from 6.4 times in FY2024. The interest coverage declined further to 0.7 times in Q1 FY2026 due to elevated interest; although interest costs included mark-to-market losses of around Rs. 7.4 crore, which are notional in nature. The company is estimated to incur capex of Rs. 50-60 crore each in FY2026 and FY2027. Going forward, stable performance in the domestic market supported by a revival in sales in key export markets and significant expansion in operating margins remain crucial for the improvement in IRL's debt metrics.

Environmental and Social Risks

Environmental considerations – The company does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations with regard to breach of waste and pollution norms, which can lead to an increase in operating costs or capital investments. To address this, the company is dedicated to minimising its environmental footprint by continuously improving its operations, reducing its energy consumption, and managing its waste and emissions responsibly. IRL has recently installed solar power plants at two of its facilities and is planning to install more at other locations.

Social considerations – The industry faces social risks related to product safety and the associated litigation risks, access to qualified personnel for R&D and process engineering and maintenance of high manufacturing compliance standards. Further, Government intervention related to price caps/control also remains a social risk faced by entities in the pharmaceutical industry. The company is committed to promoting the health and safety of its employees by providing a safe work environment, supporting a culture of wellness, and investing in training and development. The company also supports local initiatives, engages in philanthropic activities and partners with organisations that share its commitment to sustainability and social responsibility.

Liquidity position: Adequate

The company's liquidity position remains adequate with free cash and liquid investments of Rs. 15.76 crore as on June 30, 2025. The company's working capital utilisation remains high, reflected by an average utilisation of 96.5% (against its average drawing power (DP) of Rs. 346.8 crore) during the 12-month period ended in June 2025. IRL's capex requirement for FY2026 are to be funded through internal accruals. It has debt servicing obligations of Rs. 68 crore for FY2026 and Rs. 139.4 crore for FY2027. ICRA expects the company to meet its near-term repayment obligations through its accruals and existing cash balances.

Rating sensitivities

Positive factors – The outlook may be revised to Stable in case the company demonstrates significant improvement in its margins, leading to sustained improvement in its debt metrics, return indicators and liquidity position.

Negative factors – The rating may be downgraded if the company is unable to improve its revenues and margins materially by scaling the additional capacities built over the last three years, leading to further weakening in the company's overall financial profile. Delays in resolution of existing regulatory non-compliance or any other regulatory non-compliance, thereby impacting its product launches and, thus, revenues and profitability, would also be a negative rating trigger.

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 IRL; see details in Annexure-II.

About the company

IRL 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 them in India. In 1963, the current Chairman and Managing Director, Mr. Suresh G. Kare took over.

At present, IRL manufactures and markets branded formulations, APIs and contract research and manufacturing services (CRAMS), with a strong presence in domestic formulations, which generated 53% of its total revenues in Q1 FY2026. In the domestic business, the company 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 36% of IRL's revenues in Q1 FY2026, while APIs formed 10%, with the rest generated by contract research and analytics divisions.

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

Key financial indicators (audited)

Indoco Remedies Limited	FY2024	FY2025
Operating income	1817.3	1,664.9
PAT	97.0	(77.9)
OPBDIT/OI	13.4%	6.0%
PAT/OI	5.3%	-4.7%
Total outside liabilities/Tangible net worth (times)	0.9	1.4
Total debt/OPBDIT (times)	2.8	10.0
Interest coverage (times)	6.4	1.5

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

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	August 04, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term Loan	Long-term	231.50	[ICRA]A (Negative)	July 01, 2025	[ICRA]A+ (Negative)	May 27, 2024	[ICRA]AA- (Stable)	Oct 27, 2023	[ICRA]AA- (Stable)	Aug 01, 2022	[ICRA]AA- (Stable)
				-	-	Jul 31, 2024	[ICRA]AA- (Negative)	-	-	-	-
				-	-	Jan 30, 2025	[ICRA]A+ (Negative)	-	-	-	-
Fund-based Limits – Cash Credit	Long-term	29.40	[ICRA]A (Negative)	July 01, 2025	[ICRA]A+ (Negative)	May 27, 2024	[ICRA]AA- (Stable)	Oct 27, 2023	[ICRA]AA- (Stable)	Aug 01, 2022	[ICRA]AA- (Stable)
				-	-	Jul 31, 2024	[ICRA]AA- (Negative)	-	-	-	-
				-	-	Jan 30, 2025	[ICRA]A+ (Negative)	-	-	-	-
Fund-based Limits	Short-term	75.00	[ICRA]A2+	July 01, 2025	[ICRA]A1	May 27, 2024	[ICRA]A1+	Oct 27, 2023	[ICRA]A1+	Aug 01, 2022	[ICRA]A1+
				-	-	Jul 31, 2024	[ICRA]A1+	-	-	-	-
				-	-	Jan 30, 2025	[ICRA]A1	-	-	-	-
Non-fund Based Limits	Short-term	20.25	[ICRA]A2+	July 01, 2025	[ICRA]A1	May 27, 2024	[ICRA]A1+	Oct 27, 2023	[ICRA]A1+	Aug 01, 2022	[ICRA]A1+
				-	-	Jul 31, 2024	[ICRA]A1+	-	-	-	-
				-	-	Jan 30, 2025	[ICRA]A1	-	-	-	-
Fund-based Limits	Long-term/short-term	25.00	[ICRA]A (Negative)/[ICRA]A2+	July 01, 2025	[ICRA]A+ (Negative)/[ICRA]A1	May 27, 2024	[ICRA]AA- (Stable)/[ICRA]A1+	Oct 27, 2023	[ICRA]AA- (Stable)/[ICRA]A1+	Aug 01, 2022	[ICRA]AA- (Stable)/[ICRA]A1+
				-	-	Jul 31, 2024	[ICRA]AA- (Negative)/[ICRA]A1+	-	-	-	-
				-	-	Jan 30, 2025	[ICRA]A+ (Negative)/[ICRA]A1	-	-	-	-
Unallocated	Long-term/short-term	119.21	[ICRA]A (Negative)/[ICRA]A2+	July 01, 2025	[ICRA]A+ (Negative)/[ICRA]A1	May 27, 2024	[ICRA]AA- (Stable)/[ICRA]A1+	Oct 27, 2023	[ICRA]AA- (Stable)/[ICRA]A1+	Aug 01, 2022	[ICRA]AA- (Stable)/[ICRA]A1+
				-	-	Jul 31, 2024	[ICRA]AA- (Negative)/[ICRA]A1+	-	-	-	-
				-	-	Jan 30, 2025	[ICRA]A+ (Negative)/[ICRA]A1	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term – Fund-based – Term loans	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	Long-term – Fund-based – Term loans	FY2023	NA	FY2030	231.50	[ICRA]A (Negative)
NA	Long-term – Fund-based Limits – Cash credit	NA	NA	NA	29.40	[ICRA]A (Negative)
NA	Short-term – Fund-based Limits	NA	NA	NA	75.00	[ICRA]A2+
NA	Short-term – Non-fund based Limits	NA	NA	NA	20.25	[ICRA]A2+
NA	Long-term/ Short-term – Fund-based Limits	NA	NA	NA	25.00	[ICRA]A (Negative)/ [ICRA]A2+
NA	Long-term/ Short-term – Unallocated	NA	NA	NA	119.21	[ICRA]A (Negative)/ [ICRA]A2+

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
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

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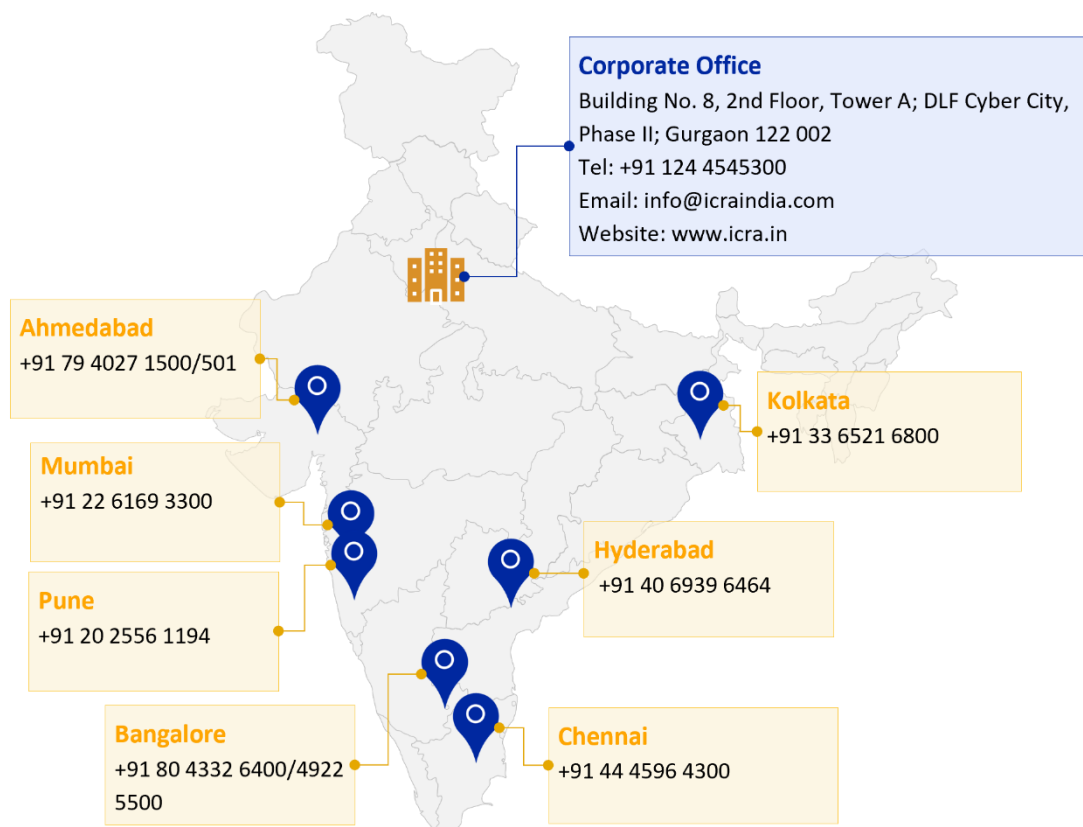


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