# Press Release

## Fredun Pharmaceuticals Limited

**April 2, 2025**

**Ratings**

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---|---|---|---|---|---|
| Long Term Bank Facilities | 126.64* (enhanced from Rs. 74.60 crore) | IVR BBB/ Stable (IVR triple B with Stable outlook) | IVR BBB-/ Stable (IVR triple B minus with Stable outlook) | Rating upgraded | Simple |
| Short Term Bank Facilities | -* | Withdrawn | IVR A3 (IVR A three) | Rating withdrawn | Simple |
| Long Term/ Short Term Bank Facility | 13.00 | IVR BBB/ Stable/ IVR A3+ (IVR triple B with Stable outlook and IVR A three plus) | - | Rating assigned | Simple |
| **Total** | **139.64 (INR one hundred thirty nine crore and sixty four lakh only)** | | | | |

*(*The term loans, Cash Credit, PCFC, PC, EPC and Bank Guarantee facilities rated in the previous year amounting Rs. 33.60 crore have been withdrawn based on No Due Certificates from Saraswat Bank and ICICI Bank and at the request of the company, and is in line with Infomerics' policy on withdrawal).*

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3**

**Detailed Rationale**

infomerics has upgraded the ratings assigned to the bank facilities of Fredun Pharmaceuticals Limited (FPL) is on account of consistent increase in topline and profit. Further, the ratings also continue to derive strength from its extensive experience of the promoters, comfortable capital structure and adequate coverage indicators and diversified product profile and geographical reach. However, these rating strengths continue to remain constrained elongated working capital cycle and vulnerability to change in government/regulatory policies and volatility in raw material prices.

The outlook assigned on the long-term rating is stable due to stable business operation, long track record of the promoters and favourable industry outlook.

Infomerics has also withdrawn the outstanding long-term rating of 'IVR BBB-/ Stable' assigned to the term loans amounting Rs. 11.06 crore and cash credit amounting Rs. 0.54 crore, and the short term of 'IVR A3' assigned to the PCFC amounting Rs. 3.00 crore, PC amounting Rs. 5.00 crore, EPC amounting Rs. 12.00 crore and bank guarantee amounting Rs. 2.00 crore of the company with immediate effect. The withdrawal has been taken on 'No Due Certificate' received from Saraswat Bank and ICICI Bank and at the request of the company. The ratings are withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

**Key Rating Sensitivities:**

**Upward Factors**

- Sustained growth in scale of operations with improvement in profitability.
- Improvement in the capital structure with improvement in the debt protection metrics.
- Improvement in liquidity marked by improvement in the operating cycle.

**Downward Factors**

- Moderation in the scale of operation and/or moderation in profitability on a sustained basis.
- Elongation in the operating cycle impacting liquidity.

**List of Key Rating Drivers with Detailed Description**

**Key Rating Strengths**

**Consistent increase in topline and profit**

Total operating revenue of the company witnessed a y-o-y growth of ~26.38% to Rs. 348.88cr in FY24 from Rs.276.06cr in FY23 on account of new product launches as well as healthy demand from the key customers. With the increase in topline, the EBITDA margin has improved to 11.09% in FY24 from 10.56% in FY23. Further, PAT margin has also improved 4.48% in FY24 from 3.91% in FY23 due to improvement in its scale of operation and focusing on high margins orders. Further in 9MFY25, TOI increased to Rs. 288.86 crore from Rs. 231.04 crore up 25.03% y-o-y. Consequently, EBITDA and PAT also increased by 35.81% and 30.11% y-o-y to Rs. 37.66 crore and Rs. 13.74 crore. Infomerics believes that company's topline line and profit will continue to grow in the projected years, due to increase in scale of operations.

**Extensive experience of the promoters**

The key promoters of FBL -- Dr Daulat Medhora and Mr. Nariman Medhora – have an experience of over three decades in the pharmaceuticals formulations business and have been instrumental in research & development work and manufacturing of new products. Furthermore, Mr. Fredun Medhora (managing director) has been in the in business for over a decade. The promoters-initiated strategies to expand product categories and enhance geographical reach and are expected to continue to infuse timely need-based funding support which supports the overall business profile

**Comfortable capital structure and adequate coverage indicators**

The capital structure of the company had remained comfortable over the years with its satisfactory net worth base of Rs.121.06 crore supported by accretion of profits as on March 31, 2024, and issue of equity shares of Rs. 16.63 crore. The overall gearing stood comfortable at 0.87x as on March 31, 2024, against 0.90x as on March 31, 2023. Long term debt to equity stood at 0.20x as on March 31, 2024, against 0.23x as on March 31, 2023. Overall indebtedness of the company marked by TOL/TNW has improved and stood at 1.54x as on March 31, 2024, against 1.67x as on March 31, 2023. Debt protection metrics marked by interest coverage ratio stood comfortable at 2.84x in FY24 as compared to 3.14x in FY23 on account of increase in borrowing cost. DSCR stood at 1.79x in FY2024 as compared to 1.53x in FY2023. Total Debt/EBIDTA stood at 2.73x in FY2024 and remained comfortable

**Diversified product profile and geographical reach**

FPL has offerings in 23 therapeutic classes (including anti-diabetics, anti-retroviral and antihypertensive), with around 1100 products registered in the domestic and overseas markets. It also exports to over 46 countries in South Asia, Africa, Commonwealth of

Independent States, and Latin America. The wide product basket and geographical presence provide diversity in the revenue profile. The addition of new product registrations and foray into new product categories and markets help in the consistent scaling up of operations

**Key Rating Weaknesses**

**Elongated working capital cycle**

The production cycles in the pharmaceutical companies are long and complex, involving raw material procurement, formulation, and rigorous testing, which slows down inventory turnover. To mitigate risks, companies often purchase raw materials in bulk, especially Active Pharmaceutical Ingredients (APIs). Further, companies to maintain buffer stock, particularly for seasonal drugs, vaccines, and emergency medications resulting into high inventory carrying cost, high inventory days of 191 days in FY24 (145 days in FY23) and requirement of higher working capital. The operating cycle of the company has increased to 172 days in FY24 (PY 149 days).

**Vulnerability to change in government/regulatory policies and volatility in raw material prices**

The pharmaceutical industry is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the Company. Moreover, intense competition in the generics business limits the pricing flexibility of players. Raw materials account for 70-75% of the cost of sales, and operating margin remains susceptible to any sharp change in input prices.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.]

[Financial Ratios & Interpretation (Non-Financial Sector)]

Criteria of assigning rating outlook

Policy on default recognition

Complexity level of rated Instruments/Facilities

Policy on Withdrawal of Ratings

**Liquidity – Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. The average fund-based utilisation for the past twelve months ended January 2025 remained moderate at ~84% indicating a moderate liquidity cushion. Further, absence of any debt funded capex provides further comfort to the liquidity position.

**About the Company**

Based out of Mumbai, FPL was incorporated in 1987 by Mr Nariman Medhora and his wife, Dr Daulat Medhora. The company manufactures pharmaceutical formulations such as tablets, syrups, capsules, and ointments. Product basket includes multiple therapeutic classes such as anti-diabetics, anti-retroviral, anti-hypertensive etc. The manufacturing unit is in Palghar, Maharashtra. With over 35 years of experience in various pharmaceutical formulations, the company caters to customers across Africa, Southeast Asia, Commonwealth of Independent States (CIS) countries and Latin America. The company classifies its products into four groups: Generics (Exports & Fredun Gx), Pet Healthcare (Freossi), Nutraceuticals (Fredun Nutrition) and Cosmeceuticals (Bird and Beauty or BnB).

**Financials (Standalone):**

**(Rs. crore)**

| For the year ended/ As on* | 31-03-2023 | 31-03-2024 | 9MFY24 | 9MFY25 |
|---|---|---|---|---|
| | Audited | Audited | Unaudited | Unaudited |
| Total Operating Income | 276.06 | 348.88 | 231.04 | 288.86 |
| EBITDA | 29.16 | 38.70 | 27.73 | 37.66 |

| | | | | |
|---|---|---|---|---|
| PAT | 10.81 | 15.62 | 10.56 | 13.74 |
| Total Debt | 86.53 | 105.51 | - | - |
| Tangible Net Worth | 96.07 | 121.06 | - | - |
| EBITDA Margin (%) | 10.56 | 11.09 | 12.00 | 13.04 |
| PAT Margin (%) | 3.91 | 4.48 | 4.57 | 4.76 |
| Overall Gearing Ratio (x) | 0.90 | 0.87 | - | - |
| Interest Coverage (x) | 3.14 | 2.84 | 2.99 | 2.65 |

**Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

| Sr. No. | Name of Facilities | Current Ratings (Year 2025-26) | | | Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|
| | | Type (Long Term/ Short Term) | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2024-25 | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 |
| | | | | | - | March 4, 2024 | - |
| 1. | Term Loans | Long Term | 11.74 | IVR BBB/ Stable | - | IVR BBB-/ Stable | - |
| 2. | Cash Credit | Long Term | 114.90 | IVR BBB/ Stable | - | IVR BBB-/ Stable | - |
| 3 | Bank Guarantee | - | - | Withdrawn | - | IVR A3 | - |
| 4 | EPC | - | - | Withdrawn | - | IVR A3 | - |
| 5 | PCFC | - | - | Withdrawn | - | IVR A3 | - |
| 6 | PC | - | - | Withdrawn | - | IVR A3 | - |
| 7 | Working Capital/ Multiline working capital facilities | Long Term/ Short term | 13.00** | IVR BBB/ Stable/ IVR A3+ | - | - | - |

******OD of Rs. 6.00 crore, WCDL/FCDL of Rs. 6.00 crore, LC of Rs. 13.00 crore, EPC/PCFC of Rs. 13.00 crore, PSFC of Rs. 13.00 crore and SBLC of Rs. 13.00 crore are sublimit

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**About Infomerics:**

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.



**Annexure 1: Instrument/Facility Details**

| Name of Facility | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|---|
| Cash Credit I | - | - | - | - | 60.00* | IVR BBB/ Stable |
| Cash Credit II | - | - | - | - | 40.00^ | IVR BBB/ Stable |
| Cash Credit III | - | - | - | - | 14.90 | IVR BBB/ Stable |
| Term Loan 1 | - | - | - | April 2029 | 4.92 | IVR BBB/ Stable |

| | | | | | | |
|---|---|---|---|---|---|---|
| Term Loan 2 | - | - | - | January 2026 | 0.82 | IVR BBB/ Stable |
| Term Loan 3 | - | - | - | January 2027 | 6.00 | IVR BBB/ Stable |
| Working Capital/ Multiline working capital facilities | - | - | - | - | 13.00** | IVR BBB/ Stable/ IVR A3+ |
| Bank Guarantee | - | - | - | - | - | Withdrawn |
| Term Loan 1 | - | - | - | - | - | Withdrawn |
| Term Loan 2 | - | - | - | - | - | Withdrawn |
| Term Loan 3 | - | - | - | - | - | Withdrawn |
| Cash Credit | - | - | - | - | - | Withdrawn |
| EPC | - | - | - | - | - | Withdrawn |
| PCFC | - | - | - | - | - | Withdrawn |
| PC | - | - | - | - | - | Withdrawn |

***LC of Rs. 60.00 crore, Pre Shipment Credit of Rs. 60.00 crore, Post Shipment Credit of Rs. 60.00 crore are sublimit**
^EPC/PCFC/FBD/EBR of Rs. 35.00 crore is sublimit
****OD of Rs. 6.00 crore, WCDL/FCDL of Rs. 6.00 crore, LC of Rs. 13.00 crore, EPC/PCFC of Rs. 13.00 crore, PSFC of Rs. 13.00 crore and SBLC of Rs. 13.00 crore are sublimit**

**Annexure 2: Facility wise lender details**
**https://www.infomerics.com/admin/prfiles/len-fredun-apr25.pdf**

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.