March 18, 2025

Sainor Laboratories Pvt. Ltd.: 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	21.60	21.60	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based – Term Loan	35.16	18.07	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based – Others	8.68	7.15	[ICRA]BBB+ (Stable); reaffirmed
Short-term – Non-fund based –Others	34.90	39.90	[ICRA]A2; reaffirmed
Long-term/ Short-term – Unallocated Limits	24.66	38.28	[ICRA]BBB+ (Stable)/[ICRA]A2; reaffirmed
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings consider ICRA's expectation that Sainor Laboratories Pvt Ltd. (SLPL) will maintain its credit profile, despite a correction in revenues and margins, given its low debt levels, comfortable coverage metrics and adequate liquidity position. SLPL's revenue declined by 43% in FY2024 from an elevated base of FY2023, owing to sharp correction in raw material (lithium) prices, which led to decline in price realisation in the lithium-based chemicals segment. The company's revenues are expected to decline further by ~23–25% in FY2025 owing to increased competition and continued decline in realisations in the lithium-based chemicals segment. However, steady volume growth in the semi-formulations segment is expected to support the company's revenues to an extent. Decline in revenues and elevated fixed costs, such as employee expenses, led to correction in operating margin to 13.5% in FY2024 from 23.4% in FY2023, and are expected to moderate further in FY2025. Despite decline in earnings, the company's financial profile remains healthy, characterised by comfortable capital structure and coverage metrics with an estimated Total Debt/OPBITDA of less than 1.0 times and DSCR of 4.0–5.0 times in FY2025. The ratings factor in SLPL's established presence in the lithium-based chemicals and semi-formulations space, supported by a strong customer base and niche product profile.

The ratings remain constrained by product concentration risks in both segments. In the lithium-based chemicals division, the top five products generated 47% of the company's sales in 8M FY2025. Similarly, in the semi-formulations segment, the top product, omeprazole, drove 86% of the segment's revenues in 8M FY2025. The ratings are also constrained by SLPL's working capital-intensive nature of operations owing to higher debtor days and inventory holding. The ratings also factor in the susceptibility of margins to fluctuations in raw material prices, reagents and other alkyl-based products, some of which are crude derivatives.

The Stable outlook on [ICRA]BBB+ rating reflects ICRA's opinion that SLPL will continue to maintain its financial profile on the back of low debt levels and an adequate liquidity position. Its niche product profile and established customer relationships are expected to support scale up of volumes over the medium term.

Key rating drivers and their description

Credit strengths

Long track record and established relationships with reputed customers – The company has been producing lithium-based chemicals since 2003 and pellets since 2017. It also enjoys enduring relationships with reputed customers as reflected by repeat orders over the years. SLPL's clientele includes players such as Divis Laboratories Ltd., Syngene International Limited, and Dr. Reddy's Laboratories Limited, among others.

Niche product profile aids in pricing and margins – SLPL is one of the few companies capable of manufacturing lithium-based chemicals. It has a registered portfolio of about 350 products across therapeutic segments. Lithium is a hazardous chemical, and manufacturing lithium-based products involves significant technical know-how, creating high entry barriers.

Comfortable capital structure and debt protection metrics – The company's debt, as on March 31, 2024, comprised term loans of Rs. 45.6 crore and working capital borrowings of Rs. 16.2 crore. On the back of healthy cash balances, the company intends to prepay Rs. 25-26 crore in FY2025, apart from scheduled repayments of Rs. 8-10 crore. While SLPL's operating profits reduced on account of moderation in scale of operations, its capital structure and debt metrics are expected to remain comfortable with an estimated DSCR of 4.0–5.0 times and total debt/OPBITDA of less than 1.0 times in FY2025.

Credit challenges

High product concentration – The company's product concentration is high in both the semi-formulations and lithium-based chemicals segments. In the semi-formulations segment, omeprazole pellets (anti-ulcerative) account for over 80% of the segment's revenues. In the lithium-based chemicals segment, the top three products accounted for 70% of the segment's revenues in 8M FY2025. Hence, any material moderation in demand for these products or increased competition would impact the company's revenues and earnings. However, SLPL's niche product profile offers comfort to an extent.

Increased working capital intensity – The company's working capital intensity increased to 36% in FY2024 from 28% in FY2023, owing to higher debtors and it is expected to increase further in FY2026. SLPL extends 90 days of credit to its domestic customers, whereas export sales are against the letter of credit. Moreover, the company has relaxed credit terms for a few customers to support volume growth. For key products, which can only be imported and require bulk purchasing, the company holds a high inventory.

Susceptibility of margins to raw material price movements and operations exposed to regulatory restrictions — The company's margins are susceptible to fluctuations in raw material prices. Lithium is the key raw material for its organo-metallic compounds, which constitute a major portion of its revenues. As the company relies entirely on lithium imports, it is exposed to geopolitical risks, particularly its dependence on China for the same. SLPL is also exposed to regulatory risks as it deals with hazardous compounds.

Liquidity position: Adequate

The company had a buffer of ~Rs. 11–12 crore in working capital limits and free cash and liquid investments of Rs. 35–40 as on February 28, 2025. The company has scheduled repayments of Rs. 8–10 crore in FY2025 and is expected to prepay ~Rs. 23–25 crore of its long-term debt by March 2025. SLPL is estimated to generate retained cash flows of ~Rs. 15-17 crore in FY2026, against which it has repayment obligations of Rs. 10–12 crore.

Rating sensitivities

Positive factors – ICRA could upgrade SLPL's rating if there is steady growth in scale, along with healthy margins and debt protection metrics. Moreover, improved product profile or client diversity, strengthening the company's business profile, would also support a rating upgrade.

Negative factors – The ratings could be downgraded if subdued demand or a sharp decline in realisations results in a material decline in accruals and impacts the liquidity position. Specific credit metrics that could result in a rating downgrade include total debt/OPBDITA exceeding 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Sainor Laboratories Private Limited.

About the company

SLPL, started manufacture of fine chemicals such as alkyl lithium, alkyl aluminium and other lithium-based products in 2005 and anti-ulcer drug loaded pellets (semi-formulation/ pelletisation) in 2004. The company has two plants in Hyderabad and Visakhapatnam (Andhra Pradesh), which manufacture lithium-based products and one plant in Hyderabad, which manufactures semi-formulations.

Key financial indicators (audited)

SLPL (Consolidated)	FY2023	FY2024
Operating income	872.0	495.6
PAT	138.7	39.1
OPBDIT/OI	23.4%	13.5%
PAT/OI	15.9%	7.9%
Total outside liabilities/Tangible net worth (times)	0.8	0.4
Total debt/OPBDIT (times)	0.4	1.0
Interest coverage (times)	33.4	12.3

Source: Company, ICRA Research; 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 (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Mar 18, 2025	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	21.60	**[ICRA]BBB+ (Stable)**	Feb-29-24	[ICRA]BBB+ (Stable)	Dec-29-22	[ICRA]BBB+ (Stable)	Sep-06-21	[ICRA]BBB (Stable)
Non-Fund Based	Short Term	39.9	**[ICRA]A2**	Feb-29-24	[ICRA]A2	Dec-29-22	[ICRA]A2	Sep-06-21	[ICRA]A3+
Term Loan	Long Term	18.07	**[ICRA]BBB+ (Stable)**	Feb-29-24	[ICRA]BBB+ (Stable)	Dec-29-22	[ICRA]BBB+ (Stable)	Sep-06-21	[ICRA]BBB (Stable)
Fund Based-Others	Long Term	7.15	**[ICRA]BBB+ (Stable)**	Feb-29-24	[ICRA]BBB+ (Stable)	-	-	-	-
Unallocated Limits	Long Term/Short term	38.28	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	Feb-29-24	[ICRA]BBB+ (Stable)/ [ICRA]A2	Dec-29-22	[ICRA]BBB+ (Stable) /[ICRA]A2	Sep-06-21	[ICRA]BBB (Stable) / [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash Credit	Simple
Short -term – Non Fund-based	Very Simple
Fund Based – Term Loans	Simple
Fund based – Others	Simple
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	**Cash Credit**	NA	NA	NA	21.60	[ICRA]BBB+ (Stable)
NA	**Non-Fund Based**	NA	NA	NA	39.9	[ICRA]A2
NA	**Term Loan**	FY2021	NA	FY2028	18.07	[ICRA]BBB+ (Stable)
NA	**Fund based - Others**	NA	NA	NA	7.15	[ICRA]BBB+ (Stable)
NA	**Unallocated Limits**	NA	NA	NA	38.28	[ICRA]BBB+ (Stable) / [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
Sainor Laboratories Private Limited	100.00%	Full Consolidation
Skills Life Sciences Private Limited	100.00%	Full Consolidation

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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