Nectar Lifesciences Limited

July 16, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	572.56	CARE BB- (RWN)	Downgraded from CARE BB ; Continues to be on Rating Watch with Negative Implications
Short-term bank facilities	357.44	CARE A4 (RWN)	Downgraded from CARE A4+ ; Continues to be on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Earlier, CARE Ratings Limited (CareEdge Ratings) had placed ratings of Nectar Lifesciences Limited (NLL) on 'Rating watch with Negative Implications' following the delay in declaring of its Q4FY25 (refers to January 01, 2025 to March 31, 2025) financial results beyond stipulated time by regulators. However, the company has subsequently declared the Q4FY25 and FY25 results on July 07, 2025. While the aforesaid issue is resolved with declaring of results, CareEdge Ratings continues to maintain ratings of the company on 'Rating watch with Negative Implications' following the announcement made by it stating the sale of its core active pharmaceutical ingredients (API) and formulation business to Ceph Lifesciences Private Limited and the same will remain key monitorable.

Revision in ratings assigned to back facilities of NLL factors in the weak financial performance for Q4FY25 and FY25, as reflected in the net loss of ~₹130 crore for Q4FY25 and ~₹114 crore for the full year. The losses were largely attributable to a significant inventory write-down of ~₹127 crore in Q4FY25, undertaken to align the inventory value with its net realisable value. This has materially impacted the company's profitability and key credit metrics. Additionally, the company has announced the sale of its core API and formulation business to Ceph Lifesciences Private Limited for ₹1,270 crore, and the divestment of its menthol segment for ₹20 crore. While the transaction is expected to be completed by September 20, 2025, and may provide near-term liquidity, the sale of these key segments raises concerns over the sustainability of future revenue streams, business profile, and long-term operational stability.

In FY25 (April 01, 2024 to March 31, 2025), the company's revenue remained stable at ~₹1,673 crore, with an adjusted profit before interest, lease, depreciation, and tax (PBILDT) (after adding back the written-off stock) of ~₹100 crore (against ~₹163 crore in FY24). However, ratings assigned remain constrained by therapeutic concentration risk, working capital intensive operations, and succession risk. Ratings are also tempered by high pledging of shares, a history of debt restructuring, and regulatory risks inherent to the pharmaceutical industry. Nonetheless, ratings positively factor in the company's long operational track record, experienced promoters, and accredited manufacturing facility with an established customer base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Establishment of a viable and scalable residual or new business model, with timely execution and demonstrated stability in revenue and earnings post-divestment.
- Consistent operating performance in the continuing business, with PBILDT margin above 10% and revenue stability demonstrated on a sustained basis.
- Improved financial metrics, with total debt/PBILDT below 3.00x on a sustained basis.

Negative factors

- Weak performance of residual business, with PBILDT margin falling below 6% or continued operating losses.
- Delay or failure in redeploying sale proceeds, leading to lack of revenue visibility or business direction beyond 12 months.
- Deterioration in financial metrics, with total debt/PBILDT exceeding 4.5x or weakening liquidity position.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Analytical approach: Consolidated
CareEdge Ratings has taken consolidated approach or arriving at NLL's ratings, given the linkages with its subsidiaries. Companies considered for consolidation are listed under Annexure-6.

Outlook: Not applicable

Detailed description of key rating drivers:

Key weaknesses

Divestment of core business could weaken future operating profile

NLL's decision to divest its core business marks a significant shift in its operational landscape. The company has announced the sale of its API and formulation segments to Ceph Lifesciences Private Limited for a consideration of ₹1,270 crore, and the divestment of its menthol division for ₹20 crore. While the transactions are expected to ease near-term liquidity pressures and support debt reduction, they also represent an exit from the company's key revenue-generating verticals. This raises concerns over the long-term sustainability of operations, revenue visibility, and the company's ability to build a viable business around its remaining portfolio.

Performance recovery reversed by reporting of Q4FY25 operating loss

The company had demonstrated a gradual improvement in operating performance through FY24 and the first three quarters of FY25, supported by stable raw material costs and improved operational efficiency. Revenue grew by ~10.5% in FY24 to ₹1,695 crore (FY23: ₹1,534 crore), with PBILDT margins improving to 9.60% from 4.16% in the previous year. However, this improving trend reversed in Q4FY25. For the full year FY25, the company reported revenue of ₹1,673.07 crore but incurred a PBILDT-level loss of ~₹26 crore, primarily due to an inventory write-down of ~₹127 crore in the fourth quarter. On an adjusted basis (excluding the write-down), the PBILDT stood at ₹~100 crore with PBILDT margin at 5.98%. Nevertheless, the actual operating loss, and a net loss of ₹113.68 crore, has significantly weakened the company's profitability and credit profile. The sharp deterioration in Q4 has effectively eroded the gains of prior quarters and introduced uncertainty regarding the sustainability of future performance**.**

Segment concentration risk

NLL is primarily into manufacturing and marketing cephalosporin range of products where it derived over 90% of its revenue. While the company has oral and sterile products within cephalosporin segment, there is product concentration risk in terms of therapeutic segment. The company caters only to anti-infective segment, which is subject to intense competition.

Succession risk

NLL's promoter Sanjiv Goyal has two sons; Saurabh Goyal and Aryan Goyal. Both were working as Executive Directors and were shareholders. However, both resigned from the company in 2018 after amicable settlement within the family and have started their own ventures. There was a family partition deed between the members according to which, Saurabh and Aryan had issued an advertisement in the newspaper and filed a letter with The Securities and Exchange Board of India (SEBI) and Stock Exchanges regarding their disassociation with NLL by October 01, 2020. Though succession risk exists, the management has opined that the company is run by professional management, which will continue going forward.

Moderation in financial risk profile due to weakening profitability and debt coverage metrics

NLL's financial risk profile, which had shown signs of improvement in FY24, moderated in FY25 due to deterioration in key credit metrics. Overall gearing stood at 0.65x in FY25, largely similar to the previous year (0.64x in FY24). However, PBILDT for FY25 was negative at ₹26 crore, against a positive ₹162.83 crore in FY24. Consequently, despite a reduction in interest and finance cost from ₹96.89 crore in FY24 to ₹74.58 crore in FY25, the interest coverage turned adverse. Adjusted PBILDT (adjusted for one-time inventory write-down) to interest stood at 1.66x in FY25, marginally lower than 1.68x in FY24. Total debt to adjusted PBILDT also deteriorated to 5.80x in FY25 compared to 4.01x in FY24. These trends reflect moderation in the company's credit profile, especially due to pressures seen in Q4FY25.

Exposure to regulatory risk

The company is exposed to regulatory risk with its operations centred majorly in manufacturing APIs and formulations. The pharmaceutical industry is highly regulated in many other countries and requires approvals, licenses, registrations, and permissions for business activities. The approval process for a new product registration is complex, lengthy and expensive. Time taken to obtain approval varies by country but generally takes from six months to several years from the date of application. Delays or failures in getting approval for new product launch could adversely affect the company's business prospects.

Foreign exchange fluctuation risk

NLL is exposed to foreign exchange fluctuation risk in view of large volume and high-value transactions of export and import, a phenomenon common to industry players. The company does not have a hedging policy in place. However, there is presence of partial natural hedge. The company also imports ~55% of its raw material from China.

Key strengths

Established track record of operations

NLL has established track record of operations of over three decades in pharmaceutical market. The company is a leading player in cephalosporin range of products, which includes oral and sterile cephalosporin; anti-infectives used in antibiotics. In oral cephalosporin, the company's product includes cefixime (for bacterial infection), cefurozime axetil crystalline (for pneumonia), cefuroxime axetil amorphous (for sinusitis), cedpodoxime proxetil (for bronchitis), cefprozil (infections such as skin, ears, throat and others). Products in sterile includes cefotaxime sodium, ceftriaxone sodium, cefuroxime sodium, cefazolin sodium, ceftazidime pentahydrate. Based on their age profile cephalosporins are segmented into first, second, third and fourth generation molecules. First-generation molecules have the largest market share but most of them are currently declining. However, second, third and fourth-generation cephalosporins are gaining popularity and experiencing growth.

Accredited manufacturing plant approved from regulatory authorities

NLL has four manufacturing plants (from where sales to external parties takes place), some of which, are approved by regulatory authorities such as EUGMP Inframed (Europe), KFDA (South Korea), PMDA (Japan), COFEPRIS (Mexico), MCC (South Africa) and ANVISA (Brazil). Till September 2024, the company filed 44 drug master files (DMF) and have also filed 15 abbreviated new drug application (ANDA). The company has also one plant for making empty hard gelatine capsules (EHGC).

Reputed and globally diversified customer base

The company has reputed and diversified customer base spread across over 50 countries. In FY24, the company derived ~42% of its revenue from export markets (PY: 53%). The major contribution from export in FY24 is from the UK (₹195 crore) and Bangladesh (₹62 crore). Top five customers in FY24 contributed ~23% (PY: 27%) of the total revenue. Glaxosmithkline Services Unlimited is the largest export customer for the company.

Liquidity: Stretched

NLL's liquidity position appears stretched, with limited cushion available between cash accruals and repayment obligations. In FY25, the company generated cash flow from operations of ~₹169 crore against term loan repayments of ~₹81 crore. In FY26, the company is expected to generate cash accruals of ₹75–80 crore, which is broadly in line with its scheduled debt repayment obligations of ~₹79 crore, leaving minimal headroom for contingencies or working capital requirements. The company has announced the sale of its core API and formulation business, which is likely to significantly impact the scale of operations and its ability to generate steady cash flows going forward. Overall liquidity profile remains exposed to risks related to the deal structure, timely receipt and utilisation of sale proceeds, and performance of the residual business post-divestment. CareEdge Ratings also notes, as indicated by the management, upon successful completion of the sale transaction, a portion of the proceeds is proposed to be utilised towards repayment of the company's outstanding debt.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Pharmaceuticals
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Founded in 1995 by Sanjiv Goyal, NLL is a research-based pharmaceutical company, primarily engaged in manufacturing APIs and formulation. The company has four state-of-the-art manufacturing facilities across Punjab and Himachal Pradesh. The company is into manufacturing Cephalosporin (oral and sterile) at its two units in Dera Bassi and Punjab.

Brief consolidated Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	1,534.46	1,695.36	1,673.07
PBILDT	63.80	162.83	-26.46
PAT	-24.19	5.00	-113.68
Overall gearing (times)	0.82	0.64	0.65
Interest coverage (times)	0.71	1.68	NM

A: Audited, NM: Not Meaningful; Note: these are latest available financial results

Status of non-cooperation with previous CRA: The company has outstanding non-cooperation rating with Brickworks Ratings (BWR) at BWR B-; Stable ISSUER NOT COOPERATING /BWR A4 ISSUER NOT COOPERATING. As mentioned in its Press Release, dated November 25, 2024, despite best efforts to get the required information for review, the company has not complied. The company has not submitted monthly no default statement as required by regulatory guidelines.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	405.14	CARE BB- (RWN)
Fund-based - LT-Term loan	-	-	-	31/03/2027	95.71	CARE BB- (RWN)
Fund-based - LT-Working capital demand loan	-	-	-	-	31.56	CARE BB- (RWN)
Fund-based - LT-Working capital term loan	-	-	-	31/03/2027	40.15	CARE BB- (RWN)

Non-fund-based - ST-BG/LC	-	-	-	-	352.44	CARE A4 (RWN)
Non-fund-based - ST-Forward Contract	-	-	-	-	5.00	CARE A4 (RWN)

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term loan	LT	95.71	CARE BB- (RWN)	1)CARE BB (RWN) (01-Jul-25)	1)CARE BB; Stable (28-Oct-24)	1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable (05-Jul-23)	-
2	Fund-based - LT-Working capital term loan	LT	40.15	CARE BB- (RWN)	1)CARE BB (RWN) (01-Jul-25)	1)CARE BB; Stable (28-Oct-24)	1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable (05-Jul-23)	-
3	Fund-based - LT-Cash credit	LT	405.14	CARE BB- (RWN)	1)CARE BB (RWN) (01-Jul-25)	1)CARE BB; Stable (28-Oct-24)	1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable (05-Jul-23)	-
4	Non-fund-based - ST-BG/LC	ST	352.44	CARE A4 (RWN)	1)CARE A4+ (RWN) (01-Jul-25)	1)CARE A4+ (28-Oct-24)	1)CARE A4 (26-Mar-24) 2)CARE A4	-

							(05-Jul-23)	
5	Fund-based - LT-Working capital demand loan	LT	31.56	CARE BB- (RWN)	1)CARE BB (RWN) (01-Jul-25)	1)CARE BB; Stable (28-Oct-24)	1)CARE BB-; Stable (26-Mar-24) 2)CARE B+; Stable (05-Jul-23)	-
6	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A4 (RWN)	1)CARE A4+ (RWN) (01-Jul-25)	1)CARE A4+ (28-Oct-24)	1)CARE A4 (26-Mar-24)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Demand loan	Simple
4	Fund-based - LT-Working capital Term Loan	Simple
5	Non-fund-based - ST-BG/LC	Simple
6	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Neclife PT, Unipessoal LDA	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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