Sunil Healthcare Limited

July 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	38.85 (Reduced from 47.00)	CARE BB+; Stable	Downgraded from CARE BBB-; Negative
Short-term bank facilities	18.85 (Reduced from 20.85)	CARE A4+	Downgraded from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Downgrade in ratings assigned to bank facilities of Sunil Healthcare Limited (SHL) factor in the company's stretched liquidity position owing to significant portion of receivables outstanding for over 180 days, and a reduction in the sanctioned working capital limits. The envisaged gross cash accrual (GCA) for FY26 is expected to remain tightly aligned with repayment obligations, indicating limited financial flexibility. With technology upgrades and other cost-effective measures, the company's profitability returned to its previous levels in FY25, with profit before interest, lease, depreciation and tax (PBILDT) margin of 14.43% compared to 5.50% in FY24. However, the scale of operations further declined to ₹83.63 crore in FY25 from ₹90.30 crore in FY24, which adversely impacted the company's GCA. Ratings continue to remain constrained by susceptibility of profit margins to raw material price volatility, foreign currency fluctuations risk and highly fragmented and competitive industry with regulatory risks.

However, ratings continue to derive strength from experienced promoters and long track record of operations in the industry and it's established brand name. Ratings also derive comfort from established relations with the customers and moderate capital structure of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained and significant scale up in its revenues, while maintaining its profitability and debt coverage metrics along with improvement in the working capital cycle.
- Significant improvement in the operating cycle owing to reduction in collection period below 180 days and improvement in liquidity position on a sustained basis.
- Any Significant infusion of funds by promoters leading to improvement in the liquidity position on a sustained basis.

Negative factors

- Any Deterioration in PBILDT margin falling below ~13% on a sustained basis and revenue from operations below ₹80 crore.
- Any Further deterioration in the collection period or operating cycle of the company, affecting its liquidity on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited's (CareEdge Ratings') expects the company to sustain its sales momentum and profitability margins with experienced promoters and established clientele.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations

SHL's scale of operations is in a declining trend since the last four years, ending FY25. It remains small at ₹83.63 crore in FY25 which has declined by ~7.39% compared to preceding financial year. This deterioration in revenue was majorly due to decline in sales volume by 4.33% and realisation by 2% in FY25. As the scale remains small, it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Due to this, the company booked moderate gross cash accruals (GCA) of ₹ 6.67 crore in FY25.

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

Elongated operating cycle with high receivables in FY25

SHL's operating cycle elongated in FY25 against FY24 and stood at 252 days (PY: 181 days). Elongation in the operating cycle was mainly considering increase in the collection period and inventory holding days.

In FY25, receivables increased despite moderation in revenue, with outstanding debtors totalling ₹48.50 crore as on March 31, 2025, compared to ₹47.26 crore at the end of FY24. Out of overall receivables, Rs.15.12 crore were outstanding for more than 180 days which includes ~₹8.0 crore pertaining to related parties. These are pending for 1–3 years and the company is trying to recover the same on a best effort basis. In March 2025, SHL procured additional inventory of around two months to mitigate delay import transit time or custom clearance amid existing global geo-political unrest.

The company extends a payment cycle of 120–150 days to its domestic and export customers. However, this period tends to increase towards the financial year-end.

Highly fragmented and competitive industry with regulatory risks

SHL is engaged in manufacturing capsule shells which is a raw material (excipient category) for pharmaceutical and food supplement industry. The industry is characterised by a high level of competition having presence of multiple small and few big players. Pharmaceutical industry is a closely monitored and regulated industry and as such there are inherent risks and liabilities associated with the products and their manufacturing. Issues such as price control of essential medicines by the Government of India through the Drug (Prices Control) Order, 2013, pose regulatory risk for the pharmaceutical industry. Although, empty capsules shells are of excipient category in Drug (Prices Control) Order, 2013 but majority final products manufactured using these capsules are highly regulated. The company's ability to manage competition and the pressure on selling prices will remain a monitorable from the credit rating perspective.

Exposure to raw material price volatility and foreign currency fluctuations risk

The raw materials, primarily gelatin, colour and chemical compounds, are obtained from domestic and foreign suppliers. Due to competitive industry, the company is not always able to pass on increase input costs to its customers, thus, the profitability margins are exposed to adverse fluctuation in raw material prices. The company has identified certain new source of raw material procurement at a cheaper cost, to mitigate the impact of decline in selling prices, however, the saving on raw material procurement is not sufficient to completely absorb the declining realisation per capsule. Therefore, going forward adverse movement in the raw material prices, would have a major impact on the company profitability and liquidity position. The foreign currency exposure of SHL is naturally hedged to some extent as the company is engaged in import of raw material and exports of its products. The company also enters derivative contacts to hedge some part of its unhedged portion. Therefore, the remaining portion remains unhedged exposing the profitability margins to adverse fluctuations in foreign exchange rates. However, the company has reported foreign currency fluctuation gains in last three years.

Key strengths

Experienced promoters and long track record of operations

SHL is promoted by Anil Khaitan (chairman and managing director), who has nearly four decades' industry experience and is involved in the company's overall business operations. The company's directors are assisted by a team of professionals who are highly experienced in their respective domains. In case of exigency, promoters are committed to infuse funds to support business operations as reflected from their past trend by infusing unsecured loans and preference shares among others. SHL is one of the established EHGC (Empty Hard Gelatin Capsules) shell manufacturer in the domestic market, and the company sells its products under the brand name, 'Sunloc' which enjoys decent credibility in domestic and in foreign markets.

Comfortable profit margin and moderate capital structure

In FY25, company has reported improvement in PBILDT margin to 14.43% and profit after tax (PAT) margin of 0.25%, respectively, against PBILDT of 5.50% and losses reported at PAT level of 0.25%. This gap between PBILDT and PAT margins is due to high finance cost owing to increased debt levels in the last two years. The improved operating profit margin in F25 was mainly considering implementation of technology upgradation and other cost saving measures. The company's capital structure remains moderate in FY25 as reflected by the long-term debt to equity ratio and overall gearing ratio of 0.46x and 1.21x, respectively, as on March 31, 2025, against 0.46x and 1.27x, respectively, as on March 31, 2024. The company's debt profile majorly pertains to working capital limits and term loans. The company's capital structure is expected to improve gradually with stable profit margins, and scheduled repayment of term debt obligations.

Established relationship with diversified and reputed clientele despite customer concentration risk

Over the period, SHL has established a reputed customer base in the domestic and export markets which include reputed active pharmaceutical ingredients (APIs) and pharma manufacturers. In FY25, ~38.78% total income of SHL was derived from top five buyers which remained at a similar level in FY24 of ~38%, leading to customer concentration risk to some extent. However, the company attempts to retain customers for long-term relationship, which helps it in getting regular orders from these buyers.

Liquidity: Stretched
The company is envisaged to generate GCA of ~₹8.0-9.0 crore against scheduled repayment obligations of ~₹7.0 crore in FY26 and routine capex of ~₹2.0 crore reflecting GCA tightly matching with the repayment obligations.
The company's working capital cycle elongated to 252 days in FY25 against 181 days in FY24, owing to high over 180 days receivables of ₹15.12 crore as on March 31, 2025. It also includes ~₹8.0 crore of debtors from the related parties, which the company is trying to recover the same on a best effort basis. With reduction in sanctioned working capital limits, average utilisation of this is expected to remain higher in FY26, which was ~85% in the past 12 months ending April 30, 2025.

Assumptions/Covenants: Not applicable

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

Applicable criteria

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

Validity of Provisional Rating: Not applicable

Risks associated with provisional nature of credit rating: Not applicable

About company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare equipment and supplies	Medical equipment and supplies

SHL was incorporated in 1973 by late S N Khaitan, the father of Anil Khaitan, who is the present chairman and managing director of the company. SHL was originally constituted as a closely held public limited company by the name of Sunil Synchem Limited, however, this was changed in June 2005 to its current name. SHL is mainly engaged in manufacturing empty hard gelatin capsule (EHGC) shells and hydroxypropyl methylcellulose (HPMC) at its sole unit at Alwar, Rajasthan. The company was earlier also engaged in trading (including merchant trading) agro based commodities since 2013, under brand 'Sunloc foods'. However, this has been discontinued in FY20 (since July 01, 2019).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	112.61	90.30	83.63
PBILDT	20.51	4.97	12.07
PAT	6.98	-2.11	0.21
Overall gearing (times)	0.87	1.27	1.21
Interest coverage (times)	5.05	0.87	1.90

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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	-	-	-	-	25.00	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	October 2028*	13.85	CARE BB+; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	18.25	CARE A4+
Non-fund-based - ST-Forward Contract	-	-	-	-	0.60	CARE A4+

*Maturity date might change as there are multiple term loans herein we have taken the longest tenor term loan’s last repayment.

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-Cash Credit	LT	25.00	CARE BB+; Stable	-	1)CARE BBB-; Negative (08-Jul-24) 2)CARE BBB-; Negative (06-Jun-24)	1)CARE BBB-; Stable (23-Aug-23) 2)CARE BBB; Negative (27-Jun-23)	1)CARE BBB; Stable (16-Feb-23) 2)CARE BBB; Stable (01-Jul-22)
2	Non-fund-based - ST-BG/LC	ST	18.25	CARE A4+	-	1)CARE A3 (08-Jul-24) 2)CARE A3 (06-Jun-24)	1)CARE A3 (23-Aug-23) 2)CARE A3 (27-Jun-23)	1)CARE A3+ (16-Feb-23) 2)CARE A3+ (01-Jul-22)
3	Non-fund-based - ST-Forward Contract	ST	0.60	CARE A4+	-	1)CARE A3 (08-Jul-24) 2)CARE A3 (06-Jun-24)	1)CARE A3 (23-Aug-23) 2)CARE A3 (27-Jun-23)	1)CARE A3+ (16-Feb-23) 2)CARE A3+ (01-Jul-22)
4	Fund-based - ST-Standby Line of Credit	ST	-	-	-	-	-	1)Withdrawn (01-Jul-22)
5	Fund-based - LT-Term Loan	LT	13.85	CARE BB+; Stable	-	1)CARE BBB-; Negative (08-Jul-24) 2)CARE BBB-; Negative (06-Jun-24)	1)CARE BBB-; Stable (23-Aug-23) 2)CARE BBB; Negative (27-Jun-23)	1)CARE BBB; Stable (16-Feb-23) 2)CARE BBB; Stable (01-Jul-22)

LT: Long term; ST: 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	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 120-4452018 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Sandeep Aggarwal Associate Director **CARE Ratings Limited** Phone: 120-4452062 E-mail: Sandeep.aggarwal@careedge.in Shabnam Goyal Lead Analyst **CARE Ratings Limited** E-mail: shabnam.goyal@careedge.in

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