Windlas Biotech Limited

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CIN-L74899UR2001PLC033407

April 08, 2025

To
Listing / Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

To
Listing / Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

BSE CODE: 543329

NSE CODE: WINDLAS

Dear Sir/ Madam,

Sub: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015- Reaffirmation of Credit Rating

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, this is to inform you that ICRA Limited ("Credit Rating Agency") has reviewed and reaffirmed the credit ratings for various facilities of the Company. The said Credit Rating Agency has reaffirmed the Long Term/ Short Term Loans/ Credit Facilities from the Bank(s) vide letter dated April 07, 2025, and the details are given hereunder:

Instrument	**Rating Action**
Long-term – Fund based term loans	[ICRA]A+ (Stable); Reaffirmed
Long-term – Fund based cash credit	[ICRA]A+ (Stable); Reaffirmed
Long-term/ Short term – unallocated	[ICRA]A+ (Stable)/ [ICRA]A1; Reaffirmed

Copy of the letter dated April 07, 2025, received from ICRA Limited is enclosed herewith.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For Windlas Biotech Limited

ANANTA NARAYAN PANDA

ANANTA NARAYAN PANDA
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Ananta Narayan Panda
Company Secretary & Compliance Officer

Encl: As above

April 07, 2025

Windlas Biotech Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based term loans	0.30	0.30	[ICRA]A+ (Stable); Reaffirmed
Long-term – Fund-based cash credit	58.40	58.40	[ICRA]A+ (stable); Reaffirmed
Long-term / Short-term – Unallocated	0.14	0.14	[ICRA]A+(Stable)/[ICRA]A1; Reaffirmed
Total	**58.84**	**58.84**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmed ratings reflect ICRA's expectations that Windlas Biotech Limited's (WBL's) credit profile will remain comfortable reflected by low leverage, healthy coverage metrics and liquidity, aided by a steady demand outlook for the pharmaceutical sector and WBL's well-established customer relationships and healthy market position in the contract manufacturing business. Further, the company's trade generics division has been witnessing healthy growth, supporting its efforts to diversify its revenue base. Moreover, ICRA notes that the company has set up an injectables facility, which is expected to start generate revenues from FY2026. The company is also setting up another plant in Dehradun and is expected to commence operations by the end of FY2027. Both plants are expected to benefit the company's operational profile and scale of operations in the medium to long term.

The ratings, however, remain constrained by the company's relatively moderate scale of operations. The company has been successful in reducing the client concentration over the years. However, ~37% of WBL's revenues comes from its top 10 clients, indicating moderate concentration in 9M FY2025. The improving share of revenues from the generics and export segments has also added to the diversity; both of which are expected to scale up further. The company also remains exposed to competition and inherent regulatory risks, which is prevalent in the formulations contract development and manufacturing organisations (CDMO) and the pharmaceutical industry. The commencement of operations at the company's injectables plant augurs well for its operational profile, aiding diversification in its product offerings, scale and margin profile. However, WBL's ability to ramp-up operations at the plant in a timely manner will remain crucial.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's expectation that WBL's operational profile will remain healthy, supported by its stable CDMO operations and increasing trade generics division. The ramp-up in the injectable division, its client profile and overall operations will remain key rating monitorables.

Key rating drivers and their description

Credit strengths

Leading CDMO player with extensive promoter experience – WBL has an established track record as a leading contract manufacturer for major pharmaceutical companies. In addition, the promoters have extensive experience in the pharmaceutical industry and have established relationships with several of the company's suppliers and customers, thus supporting its operational profile. As on date, the company caters to 7 out of the 10 largest pharmaceutical companies in India through its CDMO operations. In FY2024, the company catered to 583 clients in the CDMO space as compared to 441 clients catered in FY2023. In FY2024, the company's YoY revenue growth in the CDMO segment was healthy at 19.5%. The same moderated slightly but remained healthy at 15.4% in 9M FY2025. The healthy growth in the CDMO segment is largely attributed to the company's focus on a strong product pipeline and new customer acquisition. Besides, the trade generics business continues to grow and has witnessed a healthy scale-up in FY2024 and 9M FY2025, supported by the company's growing distribution network of stockists across northern and western states with a focus on suburban and rural areas, which are under-penetrated in terms of accessibility of authentic drugs. Further, the increasing footprint of the Government's *Jan Aushadhi* stores is also supporting the company's business prospects in the trade generics segment. As a result, the revenue contribution from trade generics, including institutional sales, has grown to 22.7% in 9M FY2025 from 19.4% in FY2024 and 17.6% in FY2023.

Ramp-up in newly set-up injectables division and setting up on another plant augurs well for WBL's operational profile – The company has set up a new injectable plant, which is expected to commence commercial production from FY2026 onwards. The approval from the WHO GMP has already been received and customer audits are currently ongoing. The commencement of operations at the company's injectables plant augurs well for the company's operational profile, aiding diversification in its product offerings, scale and margin profile. However, its ability to ramp up operations at the plant in a timely manner will remain crucial. The nature of WBL's client tie-ups, product portfolio and markets for this new plant will also remain a rating monitorable. Since the operating expenses for the plant have already been baked into the company's margins in 9M FY2025, incrementally, no adverse impact on operating margins is expected in the initial stages of commercial production at the plant.

Diversified product portfolio with increasing focus on complex generics and fast growing chronic/ sub-chronic therapeutic areas – In terms of therapeutic coverage, WBL has been consistently growing its chronic and sub-chronic portfolio, including anti-diabetic, cardiovascular, neuropsychiatry, respiratory health and nutraceuticals, which are fast growing areas and command higher margins. At present, the share of the chronic and sub-chronic segments is ~65% of the total product portfolio. The company also caters to acute segments, including gastroenterology, analgesic, dermatological and cough/ cold. In terms of formulation composition, WBL primarily focuses on developing complex generic formulations for its CDMO clientele, involving a higher degree of expertise/ trained manpower. Consequently, this renders a high entry barrier while commanding elevated margins. In 9M FY2025, ~64% of the products WBL manufactured were complex generics.

Healthy financial risk profile with comfortable debt protection metrics – The company's financial risk profile remains healthy with the expectation of consistent earnings growth in the current fiscal, supported by the scale-up of trade generics revenues and overall economies of scale. The YoY revenue growth remained healthy at ~21% in 9M FY2025. Return metrics are also healthy with RoCE and core RoCE having improved and remaining strong at 17.8% and 25.9%, respectively, in H1 FY2025. However, the same may moderate to a certain extent going forward as the new plant will take time to generate similar returns. WBL's capital structure remains comfortable, with a gearing of 0.02 times as on September 30, 2024. The coverage indicators remained at comfortable levels owing to low debt levels and associated minimal finance costs.

Credit challenges

Moderate scale of operations with high segment concentration – Although the company is one of the leading formulations CDMO players in the organised domestic market, it remains a moderate-sized player in the overall formulations CDMO industry with an operating income (OI) of Rs. 631.0 crore in FY2024 and Rs. 557 crore in 9M FY2025. ICRA, however, notes that the company plans to grow both its segments, supported by the injectables capacity and other expansions in existing capacities. With the expected scale-up of its trade generics vertical and ramp-up in its injectable division, WBL is likely to see gradual improvement in segmental revenue diversification.

Formulation CDMO business exposed to intense competition and inherent regulatory risks – WBL operates in a highly competitive and fragmented industry with inherent regulatory risks. The domestic generic formulation industry faces stiff competition from numerous contract manufacturers, multinational corporations (MNCs) as well as established domestic brands. The intense competition could restrict WBL's revenue growth and pricing flexibility. The operations also remain exposed to regulatory restrictions in terms of pricing caps in domestic markets and product/facility approvals in export destinations. ICRA notes that WBL has successfully completed audits from the European Union Good Manufacturing Practices

(EU-GMP) and South African drug authorities for its facilities; and these markets are expected to support exports in the medium term.

Moderately high but consistently improving client concentration; strong reputation of clients mitigates the risk to an extent – The company faces moderately high client concentration risk with its top 10 customers accounting for ~37% of its overall CDMO sales in 9M FY2025, much lower than ~47% in FY2024. However, the long-established nature of its client relationships and the healthy credit profile of its customers lend revenue visibility and lower risk of bad debts. A growing generics business has also added to the diversity.

Environmental and social risks

Environmental considerations: The company may face environmental risks with regard to breach of waste and pollution norms, which can lead to an increase in operating costs. All four WBL's manufacturing facilities have waste management and environmental protection systems in place, which comply with environmental pollution regulations and mitigate the risk to a large extent. To optimise its entire effluent stream, WBL has been implementing several techniques. Additionally, WBL has installed an ultrafiltration plant to treat effluent discharge water and recycle the same. The company also uses an eco-friendly, briquette fire boiler to minimise emissions. To reduce industrial emissions at sites, air conditioning systems and heat ventilation systems have been installed. However, the company may require capital investments going forward to upgrade its effluent treatment infrastructure to reduce waste generation in accordance with changing emission norms.

Social considerations: The company faces high industry-wide 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. Further, Government intervention related to price caps/controls also remains a social risk faced by entities in the pharmaceutical industry. The company has a track record of not having to bear any material product safety or litigation issues from its CDMO clients, indicating its sensitivity towards responsible operations.

Liquidity position: Strong

WBL's liquidity is strong, evidenced by high cash balances and liquid investments of Rs. 181 crore and unutilised working capital facilities of ~Rs. 55 crore, as on September 30, 2024. Its liquidity profile is further supported by healthy cash flows and no significant debt repayment obligations. The same is expected to be adequate to fund its planned capex and working capital requirements.

Rating sensitivities

Positive factors – ICRA could upgrade WBL's ratings if it demonstrates scale-up across its business verticals while maintaining a healthy RoCE along with strong credit metrics on a sustained basis.

Negative factors – Pressure on WBL's rating could arise in case of any elongation in the debtor cycle, inability to ramp up the new facility or in case of any sizeable capex, leading to material deterioration of credit metrics. Specific triggers would be TD/OPBITDA greater than 2.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2001, the Windlas Group originally comprised two companies—Windlas Biotech Private Limited (WBPL) and Windlas Healthcare Private Limited (WHC). WHC was an erstwhile subsidiary of WBPL, which was amalgamated into WBPL, and the merged entity was renamed Windlas Biotech Limited. WBL derives its business from three key business segments—viz., its formulations contract development and manufacturing organization (CDMO) services & products (73.2% of 9M FY2025 total turnover), domestic trade generics segment (22.7% of 9M FY2025 total turnover) and exports (4.1% of 9M FY2025 total turnover). WBL is among the leading CDMO players in domestic pharmaceutical formulations and currently operates five manufacturing facilities located at Dehradun (Uttarakhand), out of which all the plants are WHO-GMP compliant. In January 2025, the injectables facility received GMP certification from the Food Safety & Drugs Administration Authority of Uttarakhand, following an inspection in December 2024, confirming compliance with WHO's TRS guidelines in all five plants of the company.

Key financial indicators (audited)

	FY2023	FY2024	9MFY25*
Operating income	513.1	631.0	557.2
PAT	42.6	58.2	44.7
OPBDIT/OI	11.7%	12.4%	12.30%
PAT/OI	8.3%	9.2%	8.00%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	-
Total debt/OPBDIT (times)	0.1	0.0	-
Interest coverage (times)	76.4	70.7	-

*Source: Company, ICRA Research; * Provisional; 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

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Apr 07, 2025	Date	Rating	Date	Rating	Date	Rating
Long Term: Fund Based Term Loans	Long term	0.30*	**[ICRA]A+ (Stable)**	Feb-05-2024	[ICRA]A+ (Stable)	Nov-30-2022	[ICRA]A+ (Stable)	Sep-24-2021	[ICRA]A+ (Stable)
Long Term: Fund Based Cash Credit	Long term	58.40	**[ICRA]A+ (Stable)**	Feb-05-2024	[ICRA]A+ (Stable)	Nov-30-2022	[ICRA]A+ (Stable)	Sep-24-2021	[ICRA]A+ (Stable)
Short Term: Non-Fund Based limits	Short term	0.00	**-**	Feb-05-2024	-	Nov-30-2022	[ICRA]A1	Sep-24-2021	[ICRA]A1
Short Term: Fund Based limits	Short term	0.00	**-**	Feb-05-2024	-	Nov-30-2022	[ICRA]A1	Sep-24-2021	[ICRA]A1
Long/ Short Term: Unallocated	Long/ Short term	0.14	**[ICRA]A+ (Stable)/ [ICRA]A1**	Feb-05-2024	[ICRA]A+ (Stable)/ [ICRA]A1	Nov-30-2022	[ICRA]A+ (Stable)/ [ICRA]A1	Sep-24-2021	[ICRA]A+ (Stable)/ [ICRA]A1
Interchangeable	Short term	-		-	-	-	-	-	-

**Outstanding against the same is Rs 0.11 crore*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term: Fund Based Term Loans	Simple
Long Term: Fund Based Cash Credit	Simple
Long/ Short Term: Unallocated	NA

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	FY2015	-	FY2025-26	0.30	[ICRA]A+ (Stable)
NA	Long Term: Fund Based Cash Credit	NA	-	NA	58.40	[ICRA]A+ (Stable)
NA	Long/ Short Term: Unallocated	NA	-	NA	0.14	[ICRA]A+ (Stable)/ [ICRA]A1

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - Not applicable

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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