

Press Release
INCHEM LABORATORIES PRIVATE LIMITED
September 30, 2025
Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	31.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	44.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and short-term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.34.00 Cr. bank facilities of Inchem Laboratories Private Limited (ICL; part of Inchem group). The outlook is ‘**Stable**’.

Acuite has also assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on Rs.10.50 Cr. bank facilities of Inchem Laboratories Private Limited (ILPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation of rating:

The reaffirmation of the rating reflects the revenue rebound during FY2025, stable profitability and consistently above- average financial risk profile. The rating also draws comfort from the experience of the promoters in pharmaceutical industry and adequate liquidity position. However, the rating is constrained by the moderately intensive working capital operations, competitive and fragmented industry and inherent risk of capital withdrawal by partners. Going forward completion of capex within revised timelines and ability to scale-up of operations while maintaining the profitability will remain key monitorables.

About the Company

Inchem Laboratories Private Limited (ILPL), based in Telangana, was incorporated in 2006 by Mr. K. Srinivas Reddy. The company operates a manufacturing facility located in Kondapally, Andhra Pradesh, and is engaged in the production of Active Pharmaceutical Ingredients (APIs) and pharmaceutical intermediates. ILPL derives approximately 40–45 percent of its revenue from exports to European and Middle Eastern markets. The company is led by Mr. Srinivas Reddy Kasam, Mr. Rajashekar Reddy, and Mrs. Madhu Bhumalingam Talla. It has a strong domestic presence and exports to regions including Latin America, Asia, the Far East, Egypt, Tunisia, various African countries, Mexico, and China. The company houses an in-house R&D center staffed with qualified scientists for developing processes for complex molecules. ILPL holds TUV and GMP certifications and is currently upgrading its facilities to comply with WHO GMP guidelines under ICH Q7 standards. Additionally, the company is recognized as an Authorised Economic Operator (AEO) and a Star Export House.

About the Group

Inchem Laboratories Private Limited (ILPL) is engaged in the business of manufacturing of APIs, intermediates, speciality chemicals and offers a wide range of products for diverse industrial applications. It has an established operational track record of one and half decades. Leeds Enterprise (LE) is a partnership firm established for manufacturing of drugs from Semi-finished API's and sell to customers for exclusive products. The group is

promoted by Mr. K. Srinivas Reddy who possesses more than two decades of experience in the chemical and pharmaceutical industry.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

•Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated business and financial risk profile of Inchem laboratories private Limited (ICL) and Leeds enterprise together referred as “Inchem Group” to arrive at the rating. The consolidation is in the view of common management and inter-company linkages.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The Inchem Group has an operational track record of nearly 2 decades and is engaged in the manufacturing of APIs, pharmaceutical intermediates, and a diverse range of products across the pharmaceuticals, nutraceuticals, and veterinary segments. The group is promoted by Mr. K. Srinivas Reddy, who brings over two decades of experience in the chemical and pharmaceutical industry. The promoters’ extensive industry experience has enabled the group to build strong relationships with both customers and suppliers. Acuité believes that the group’s experienced leadership and long-standing operational history will continue to support and strengthen its business risk profile.

Recovery in revenue and normalization of profitability:

The group’s revenue rebounded to Rs.126.93 Cr. during FY2025 (Prov.), recovering from a decline of Rs.84.05 Cr. in FY2024, which was primarily due to temporary halt in production caused by refurbishment of existing machinery. During the Q1FY2026, the group registered revenue of Rs.37.11 Cr, which is approximately 12 percent higher than Q1FY2025 revenue of Rs.33.17 Cr. With the new plant becoming operational in the current year, the group is expected to close FY2026 with revenue in the range of Rs.135-140 Cr. The operating profit margin normalized to historical levels at 14.19 percent in FY2025 (Prov.), compared to 20.03 percent in FY2024, which had benefitted from higher intercompany transactions due to change in product mix. Consequently, the PAT margin also normalized to historical levels at 9.92 percent in FY2025 (Prov.) from 12.71 percent in FY2024. Acuité believes that, the group’s revenue will improve over the medium, supported by operationalization of the ongoing capex which is expected to contribute around 30 percent incremental revenue, while profitability is expected to remain stable.

Above average financial risk profile

Inchem group’s financial risk profile is above-average, marked by moderate capital structure and healthy coverage indicators. The group’s net worth stood at Rs.43.57 Cr. as on March 31, 2025 (Prov.) as against Rs.35.65 Cr. as on March 31, 2024, backed by accretion to reserves. Further, there were drawings from the capital of Rs.~4.67 Cr. by the partners during the year. The total debt level of the group remained at Rs.30.46 Cr. as on March 31, 2025 (Prov.) from Rs.30.93Cr as on March 31, 2024. The capital structure remained comfortable with gearing of 0.70 times and Total outside Liabilities to Tangible Net Worth (TOL/ TNW) at 1.29 times as on March 31, 2025 (Prov.) compared to gearing of 0.87 times and Total outside Liabilities to Tangible Net Worth (TOL/ TNW) of 1.63 times as on March 31, 2024. The group’s coverage indicators are comfortable indicated by interest coverage ratio (ICR) of 6.66 times and debt service coverage ratio (DSCR) of 4.74 times for FY2025 (Prov.) vis-à-vis 5.64 times and 3.60 times in FY2024. Debt to EBITDA stood at 1.63 times as on March 31, 2025 (Prov.) against 1.81 times of previous year. Acuité believes that financial risk profile is likely to improve over the medium term, supported by the absence of any major capex plans.

Weaknesses

Moderate intensive nature of working capital operations

The group’s working capital operations are moderately intensive in nature as reflected by its Gross Current Asset (GCA) days of 160 days in FY2025 (Prov.) against 234 days in FY2024. The elongation in GCA days is due to high inventory days of 100 days in FY2025 (Prov.) compared to 162 days in FY2024. The group maintains higher

inventory due to higher lead-time for the raw materials. Besides, compliance with regulatory requirements for stock maintenance and diversification into multiple products are also leading to higher inventory days. The debtor days stood at 35 days in FY2025 (Prov.) against 37 days in FY2024. The creditor days stood at 78 days in FY2025 (Prov.) against 109 days in FY2024. The reliance on the fund based limits remained high at 97 percent over the past 6 months ending June 2025. Acuité believes that working capital operations of the group will remain moderate over the medium term on account of high inventory days.

Competitive and fragmented industry

The pharmaceutical formulations industry has a large number of players which makes this industry highly fragmented and intensely competitive. Inchem Group is also a moderate sized player, thereby limiting its bargaining power and susceptibility to pricing pressure is also higher compared to well-established and larger players. However, the group's presence of over one and half decade in the industry has enabled it to partially offset competitive pressures. Further, it undertakes regular research and development to improve its product offerings. This will help the group is improving its competitive position.

Inherent risk of capital withdrawal

Leeds enterprise remains inherently exposed to the risk of capital withdrawals by its partners, given its constitution as a partnership firm. Any substantial withdrawals from partners capital will have a negative impact on the group's financial risk profile and can constrain the firm's ability to maintain adequate liquidity.

Rating Sensitivities

- Improvement in revenue while maintaining the current profitability levels.
- Stretch in working capital cycle, leading to an increase in working capital borrowing and weakening of financial risk profile.
- Timely completion of ongoing capex and scaling up of operations.

Liquidity position: Adequate

Inchem group generated cash accruals of Rs.15.27 Cr. during FY2025 (Prov.) against the debt repayment obligation of Rs.1.01 Cr. The cash accruals are estimated to remain around Rs.15 Cr. to 20 Cr. during 2026-28 with expected debt repayment obligations range of Rs.1.10 – 2.40 Cr. for the same period. The group's working capital operations remained moderately intensive with GCA days of 160 days in FY2025 (Prov.) and current ratio of 1.27 times as on March 31, 2025 (Prov.) The fund based limits were highly utilized at an average of 97 percent over the past 6 months ending June, 2025. Group's unencumbered cash and bank balances stood at Rs.1.11 Cr. as on March 31, 2025 (Prov.).

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	126.93	84.05
PAT	Rs. Cr.	12.60	10.68
PAT Margin	(%)	9.92	12.71
Total Debt/Tangible Net Worth	Times	0.70	0.87
PBDIT/Interest	Times	6.66	5.64

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Mar 2025	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.49	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.26	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	16.75	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE BBB- Stable (Reaffirmed)
07 Dec 2023	Packing Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.75	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.49	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.26	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE BBB- Stable (Reaffirmed)
08 Sep 2022	Packing Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A3 (Assigned)
	Term Loan	Long Term	1.75	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.49	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.68	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	0.06	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.50	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Loan	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.02	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.75	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.75	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.26	Simple	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.75	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Nov 2026	1.49	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	11 Jul 2030	12.50	Simple	ACUITE BBB- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No	Name of the company
1	Inchem Laboratories Private Limited
2	Leeds Enterprise

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About Acuité Ratings & Research

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