November 24, 2025

Hikal Limited: Ratings downgraded to [ICRA]A(Stable)/[ICRA]A2+

Summary of rating(s) outstanding

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based term loans	323.96	323.96	[ICRA]A (Stable); downgraded from [ICRA]A+ (Stable)
Long-term – fund-based – working capital facilities	254.00	254.00	[ICRA]A (Stable); downgraded from [ICRA]A+ (Stable)
Long-term – unallocated limits ($ million)#	6.27	6.27	[ICRA]A (Stable); downgraded from [ICRA]A+ (Stable)
Short-term – fund-based facilities	280.50	280.50	[ICRA]A2+; downgraded from [ICRA]A1
Short-term – non-fund based facilities	40.00	40.00	[ICRA]A2+; downgraded from [ICRA]A1
Short-term – unallocated facilities	195.74	195.74	[ICRA]A2+; downgraded from [ICRA]A1
Total	**1,094.20 + $ 6.27 million**	**1,094.20 + $ 6.27 million**	

**Instrument details are provided in Annexure I*

 # Though a part of the long-term loans of Hikal are denominated in foreign currency, ICRA's ratings for the same are on national rating scale, as distinct from an international rating scale

Rationale

The revision in the ratings of Hikal Limited (Hikal) factors in the moderation in its performance following the official action indicated (OAI) classification of its manufacturing facility located at Jigani, Karnataka by the United States Foods and Drugs Administration (USFDA) and continued pressure on the crop protection segment on account of industry-wide factors. The OAI classification was followed by a warning letter issued by the USFDA for the facility in August 2025. The quality checks and customer audits following the regulatory action have resulted in deferment of sales in the pharmaceutical segment, which generated a revenue of Rs. 392.1 crore in H1 FY2026 with a YoY degrowth of 25%, leading to an EBIT[1] loss of Rs. 43.6 crore. While the company has successfully completed several customer audits and quality checks leading to expectations of improvement in sales, its ability to recuperate the sales and earnings over H2 FY2026 remains a monitorable. Moreover, a successful resolution of the warning letter leading to timely launch of new molecules shall also remain a key for the growth of the pharmaceutical segment going forward. Additionally, the crop-protection segment of the company has also continued to be impacted by the global headwinds resulting in a 19% YoY degrowth in its revenue during Q2 FY2026 to Rs. 129.0 crore and an EBIT loss of Rs. 9.6 crore. Thus, the company's revenue declined by 19% YoY to Rs. 698.9 crore in H1 FY2026 with an OPBDITA of Rs. 32.3 crore (-76% YoY).

Hikal has undergone a high capex cycle over the last few years for the development of animal healthcare and multipurpose manufacturing facilities and come capacity expansion in existing facilities. As this capex was partly funded through debt, its debt levels have also remained elevated in the recent years. An improvement in performance over FY2025 had led to a reduction in total debt/ OPBDITA to 2.4 times as on March 31, 2025, as against 3.1 times as on March 31, 2024. However, the

[1]*Earnings before interest and taxes*

underperformance in H1 FY2026 due to the factors highlighted above is expected to result in lower-than-expected financial performance in FY2026.

The ratings, however, continue to draw comfort from the company's established track record of more than three decades in the chemical manufacturing industry with a strong manufacturing setup across various locations in India. The ratings are also supported by its diversified presence in manufacturing of active pharmaceutical ingredients and intermediates for pharmaceutical and crop protection industries. Moreover, it is also expected to grow gradually in the animal healthcare segment, following the successful validation of its products from the facility located at Panoli (Gujarat), commissioned in December 2023. Hikal also has a reputable and diversified client base, including some leading global innovator companies and it enjoys exclusive supply contracts with some of its large customers.

The ratings also factor in Hikal's product concentration with its key molecule-Gabapentin, contributing up to 35-40% of its revenue from the pharmaceutical segment while over 50% of the revenue from the crop protection segment continues to be driven by the top three products. However, the risk is mitigated by its diversified customer base and an established presence in its key products like Gabapentin and Thiabendazole. Hikal's working capital intensity continues to remain high due to the elevated inventory levels required for its generic portfolio and contract manufacturing. Moreover, it is also vulnerable to adverse movement in key raw material prices and volatility in foreign currency rates which is partly mitigated by a natural hedge on account of its imports.

ICRA continues to monitor the developments around the regulatory actions/ litigations faced by Hikal, including the legal proceedings related to the company's alleged involvement in a gas leak accident at Surat (Sachin GIDC area) in Gujarat and the penalty imposed by the National Green Tribunal following the same. These matters continue to remain sub judice. ICRA also continues to monitor the developments regarding the suit filed by Hikal's promoters, Mr. Jaidev Hiremath and Mrs. Sugandha Hiremath, under the Specific Relief Act, 1963, in the High Court Judicature at Mumbai on March 18, 2023, seeking specific performance of obligations cast on the BNK Group[2] pursuant to a family arrangement between Mr. Babasaheb N Kalyani and his parents, whereby the shares of the company held by KICL[3] and BFIL[4] were required to be transferred to the Hiremath family. ICRA understands that these developments have not had any adverse impact on the company's operations or its banking arrangements, and the Company doesn't envisage any financial implication arising out of the said suit.

Key rating drivers and their description

Credit strengths

Established operational track record – Incorporated in 1988, Hikal has an established track record of more than three decades in chemical manufacturing. It has a robust manufacturing footprint, having five manufacturing facilities, having 24 production blocks and a capacity of over 4,100 m^3 catering to its pharmaceutical and crop protections segments. The facilities are approved by various global regulatory agencies including approvals from ANVISA GMP (Brazil), USFDA, TGA-GMP (Australia), KFDA (Korea), PMDA (Japan), AFMPS (Belgium), COFEPRIS (Mexico), EDQM (Europe) and EPA (Europe). Barring the warning letter issued by the USFDA to its manufacturing facility at Jigani, the track record of the manufacturing facilities with the international regulatory agencies has been strong.

Diversified revenue stream aided by presence in pharmaceutical and crop protection industries supported by increasing presence in animal healthcare – The company has a diversified presence and generated around 63% of its revenue in FY2025 from the pharmaceutical segment while the remaining was contributed by the crop protection segment. Moreover, the revenue is expected to diversify further with an expected pick up in the sales of the animal healthcare products over the medium term. The diversification partly offsets the impact of headwinds in a particular industry on Hikal.

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[2] *Mr. Babasaheb N Kalyani, Kalyani Investment Company Limited, BF Investment Limited, and Mr. Amit Kalyani*

[3] *Kalyani Investment Company Limited*

[4] *BF Investment Limited (BFIL)*

Reputed and diversified client base – Hikal has a strong and diversified clientele, which includes several reputable and leading global innovator companies. Moreover, it is a market leader for Gabapentin, which is supplied to various global generic companies as well as innovators. In the crop protection segment, the top three customers generated around 50% of its revenue. However, the customer concentration risk is mitigated by Hikal's established presence and leadership position in the Thiabendazole market and exclusive supply contracts with large customers.

Credit challenges

Moderation in debt protection metrics due to decline in profitability amidst debt funded capex – The company has undergone a high capex cycle over the last few years towards the development of new manufacturing facilities and capacity expansion of the existing ones. As the capex was partly funded through debt, its debt levels have remained elevated over the recent years. While the improvement in profitability over FY2025 resulted in an improvement in the coverage indicators with total debt/OPBDITA of 2.4 times as on March 31, 2025 as against 3.1 times as on March 31, 2024, the metric deteriorated considerably on September 30, 2025, owing to the moderation the performance of both the segments. While the coverage indicators are expected to improve over H2 FY2026 with the anticipated recovery in sales and profitability, they are expected to remain weaker than earlier expectations. Moreover, a resolution of the warning letter and commensurate returns from the growth capex shall remain a key for the company to improve its financial profile.

Profitability vulnerable to competitive pressures, adverse movement in raw material prices and forex rates – Hikal's profitability remains vulnerable to volatility in raw material prices and the competitive pressures in the industry. This is also visible in the volatility of its profitability over the last few years. The crop protection segment continues to remain highly competitive with pricing pressure on the manufacturers further exacerbated by high channel inventory. This has led to losses in Hikal's crop protection segment during Q2 FY2026 and its recovery over the next few quarters remains a monitorable. Hikal is also exposed to adverse movement in foreign currency rates, however, it enjoys a natural hedge on account of its imports.

High working capital intensity – The working capital intensity of Hikal has historically remained high with net working capital/operating income of 30-35%. Its working capital intensity was recorded as 32.8% in FY2025. The nature of contracts, especially in contract manufacturing, requires Hikal to maintain a minimum inventory level to ensure uninterrupted flow of supplies to customers, besides stocking requirements on account of a significant dependence on China.

Product concentration risk, especially in the pharmaceuticals segment – Around 40% of Hikal's sales in the pharmaceutical segment are generated by Gabapentin while the top three products in the crop protection segment also contribute to more than 50% of its sales. That said, the risk is partly mitigated by Hikal's leadership position in the market for its key products like Gabapentin and Thiabendazole.

Environmental and social risks

Environmental considerations: Hikal does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations regarding the breach of waste and pollution norms, which can lead to an increase in operating costs and new capacity instalment costs. This can also require capital investments to upgrade its effluent treatment infrastructure to reduce the carbon footprint and waste generation. There has been increased scrutiny of its operations by the Maharashtra Pollution Control Board (MPCB), GPCB and NGT, while the committee nominated by the NGT had also recommended a fine of Rs. 17.45 crore on Hikal against which the company is seeking appropriate legal remedies. Any financial liability arising out of these issues cannot be ascertained at the moment.

To address the associated risks, Hikal is strengthening its compliance policies and Standard Operating Procedures. It has started using GPS tracking for all the trucks used for material transportation along with several other initiatives to address the concerns related to the Surat incident. Hikal has also entered multiple power purchase agreements to procure renewable energy.

Social considerations: The industry faces social risks related to product safety and associated litigation risks, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards. Further, Government interventions related to product bans and price caps/control also remain a social risk.

Liquidity position: Adequate

Hikal's liquidity is adequate, as the company is expected to continue to generate a healthy cashflow from operations, despite the moderation in performance in H1 FY2026. Additionally, it had free cash and cash equivalents of Rs. 19.3 crore and unutilised fund-based limits of around Rs. 170 crore as on September 30, 2025. Moreover, its cash accrual generation is expected to be more than sufficient to meet its debt servicing obligations over the medium term while its capex of around Rs. 150-200 crore is expected to be financed by a mix of internal accruals and debt.

Rating sensitivities

Positive factors – ICRA could upgrade Hikal's ratings if it demonstrates a healthy growth in its revenue and earnings driven by adequate returns from the growth capex incurred over the recent years leading to an improvement in its financial profile. A specific credit metric for an upgrade shall be a total debt/ OPBDITA of less than 1.8 times on a sustained basis.

Negative factors – Negative pressure on Hikal's ratings could arise if a sustained moderation of revenue and earnings, and/or stretch in working capital cycle results in weakening of the company's liquidity position. Any material impact of the ongoing litigations on the company's operations or financial profile may also result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals Agrochemicals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Hikal Limited. Refer to the Annexure-II for the list of entities considered for consolidation.

About the company

Hikal was incorporated on July 8, 1988 as a private limited company, Hikal Chemicals Industries Private Limited, by the Hiremath family and Surajmukhi Investments & Finance Limited, a wholly-owned subsidiary of Kalyani Steels Limited. The company was listed in 1995, and subsequently was renamed as Hikal Limited in 2000.

The company has a commercial production facility at Mahad (Maharashtra) for intermediates used in dyes, pharmaceuticals and agrochemicals. The plant at Taloja (Maharashtra), which manufactures crop protection chemicals, is the only fully integrated plant in the world to produce thiabendazole. The facility at Panoli (Gujarat) produces key intermediates and regulatory starting materials for the pharmaceutical industry and is certified by the USFDA, PMDA (Japan) and EU GMP. The Bangalore facility manufactures key APIs for the pharmaceutical industry and has been approved by the US FDA, PMDA (Japan) and EU authorities. The company has an R&D centre in Pune (Maharashtra), which provides end-to-end services for APIs, custom synthesis, analytical development and scale-up from development to commercial manufacturing.

Key financial indicators (audited)

Hikal – Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	1784.6	1,859.8	698.9
PAT	69.6	87.8	-57.3
OPBDIT/OI	15.0%	17.5%	4.6%
PAT/OI	3.9%	4.7%	-8.2%
Total outside liabilities/Tangible net worth (times)	1.1	1.0	1.0
Total debt/OPBDIT (times)	3.1	2.4	10.6
Interest coverage (times)	4.7	4.3	1.0

*Source: Company, ICRA Research; * Provisional numbers; 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 rating (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Nov 24, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based limits	Long Term	254.00	[ICRA]A (Stable)	Apr 09, 2025	[ICRA]A+ (Stable)	-	-	Apr 03, 2023	[ICRA]A+ (Stable)	Jun 20, 2022	[ICRA]A+ @
				Aug 19, 2025	[ICRA]A+ (Stable)	-	-	Mar 04, 2024	[ICRA]A+ (Stable)	Mar 14, 2023	[ICRA]A+ (Stable)
Fund Based-Term Loan	Long Term	323.96	[ICRA]A (Stable)	Apr 09, 2025	[ICRA]A+ (Stable)	-	-	Apr 03, 2023	[ICRA]A+ (Stable)	Jun 20, 2022	[ICRA]A+ @
				Aug 19, 2025	[ICRA]A+ (Stable)	-	-	Mar 04, 2024	[ICRA]A+ (Stable)	Mar 14, 2023	[ICRA]A+ (Stable)
Unallocated limits	Long Term	6.27	[ICRA]A (Stable)	Apr 09, 2025	[ICRA]A+ (Stable)	-	-	Apr 03, 2023	[ICRA]A+ (Stable)	Jun 20, 2022	[ICRA]A+ @
				Aug 19, 2025	[ICRA]A+ (Stable)	-	-	Mar 04, 2024	[ICRA]A+ (Stable)	Mar 14, 2023	[ICRA]A+ (Stable)
Fund Based limits	Short Term	280.50	[ICRA]A2+	Apr 09, 2025	[ICRA]A1	-	-	Apr 03, 2023	[ICRA]A1	Jun 20, 2022	[ICRA]A1 @
				Aug 19, 2025	[ICRA]A1	-	-	Mar 04, 2024	[ICRA]A1	Mar 14, 2023	[ICRA]A1
Non Fund Based limits	Short Term	40.00	[ICRA]A2+	Apr 09, 2025	[ICRA]A1	-	-	Apr 03, 2023	[ICRA]A1	Jun 20, 2022	[ICRA]A1 @
				Aug 19, 2025	[ICRA]A1	-	-	Mar 04, 2024	[ICRA]A1	Mar 14, 2023	[ICRA]A1
Unallocated limits	Short Term	195.74	[ICRA]A2+	Apr 09, 2025	[ICRA]A1	-	-	Apr 03, 2023	[ICRA]A1	Mar 14, 2023	[ICRA]A1
				Aug 19, 2025	[ICRA]A1	-	-	Mar 04, 2024	[ICRA]A1	-	-
Fund Based limits	Long Term	-	-	-	-	-	-	Apr 03, 2023	[ICRA]A+ (Stable)	Mar 14, 2023	[ICRA]A+ (Stable)
				-	-	-	-	Mar 04, 2024	[ICRA]A+ (Stable)	-	-

@: Rating watch with Negative Implications

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term term loan	Simple
Long-term fund-based – Working capital	Simple
Long-term - Unallocated (USD million)	NA
Short-term fund-based	Simple
Short-term non-fund based	Very simple
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	**Term loan-I**	FY2019	NA	Feb 2027	26.20	[ICRA]A (Stable)
NA	**Term loan-II**	FY2019	NA	Sep 2026	21.10	[ICRA]A (Stable)
NA	**Term loan-III**	FY2021	NA	June 2028	185.00	[ICRA]A (Stable)
NA	**Term loan-IV**	FY2023	NA	June 2030	91.66	[ICRA]A (Stable)
NA	**Term loan - Unallocated**	NA	NA	NA	USD 6.27 million	[ICRA]A (Stable)
NA	**Working capital Facilities**	NA	NA	NA	254.00	[ICRA]A (Stable)
NA	**Fund-based facilities**	NA	NA	NA	280.50	[ICRA]A2+
NA	**Non-fund-based facility**	NA	NA	NA	40.00	[ICRA]A2+
NA	**Unallocated**	NA	NA	NA	195.74	[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	Hikal Ownership	Consolidation Approach
Acoris Research Limited	100.00%	Full Consolidation
Hikal LLC, USA	100.00%	Full Consolidation

Source: Annual report, FY2025

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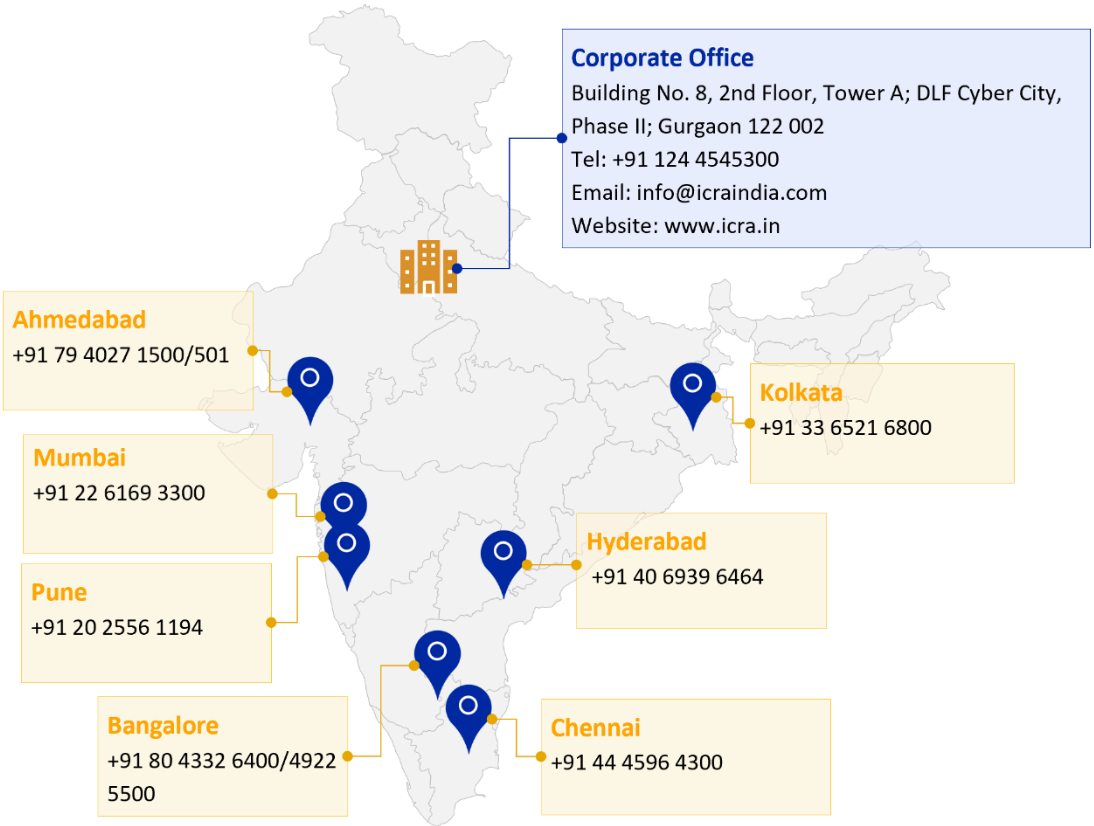

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