Morepen Laboratories Limited

November 17, 2026

Rating Action

Total Bank Loan Facilities Rated	**Rs. 225.00 Crore**	**Regulator^**
Long Term Rating	**IVR A/Stable (Rating Upgraded)**	**RBI**
^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.		

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: *None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

Rationale

Infomerics Ratings has upgraded the long-term rating assigned to the bank facilities of Morepen Laboratories Limited (MLL) from IVR A- (pronounced IVR A minus) to IVR A (pronounced IVR A). The long-term rating carries a Stable outlook.

The upgrade reflects the marked improvement in MLL's scale of operations and profitability in H1FY27 (FY refers to the period from Apr 1, 2026 to Sep 30, 2026), driven mainly by the commercialisation of its Rs. 825 crore CDMO (Contract Development and Manufacturing Organisation) contract, strong export growth and continued expansion of its medical devices business. Consolidated revenue rose 57% year-on-year to ~Rs. 1,330 crore in H1FY27, while EBITDA more than tripled to ~Rs. 206 crore, taking the EBITDA margin to 15.6% from about 6.6% in H1FY26 (FY refers to the period from Apr 1, 2025 to Sep 30, 2025). The rating continues to draw comfort from the extensive experience of the promoters, the company's established position in the overseas API market, its USFDA-compliant manufacturing base, a diversified product portfolio and a comfortable capital structure.

These strengths are partly offset by concentration risk in the CDMO business, which currently depends largely on a single customer mandate, the working-capital-intensive nature of operations, execution risk on the ongoing capacity expansion, pricing pressure in the legacy API segment, and exposure to regulatory risks inherent in the pharmaceutical industry. IVR has taken note of the ongoing restructuring involving promoter-group entities, including the deconsolidation of Dr. Morepen Limited and the proposed transfer of the Medical Devices business to Morepen Medipath Limited (a 51% subsidiary), which may dilute the earnings attributable to MLL, while the legacy fixed deposit matter remains unresolved.

Outlook: Stable

The Stable outlook reflects Infomerics' expectation that MLL will sustain its improved operating performance over the medium term, supported by the balance CDMO order book, growth in newer API molecules, and steady growth in medical devices, while keeping its capital structure comfortable through healthy cash accruals and its existing liquidity cushion.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Consolidated^ For arriving at the rating, IVR has considered consolidated financials of Morepen Laboratories Limited and its subsidiaries mentioned in the Annexure 4.
Parent/ Group Support	Not Applicable

^*The rating was earlier assessed on a standalone basis. The analytical approach has now been revised to a consolidated basis to better capture the financial and operational linkages between the company and its group entities, including the extent of financial support, inter-company transactions and shared business dependencies, as relevant. The revised approach is considered more appropriate for assessing the overall credit risk, as it enables a more comprehensive evaluation of the group's financial position, cash flow generation, debt obligations and potential support available to the company.*

List of companies considered for consolidation/combined analysis is given at Annexure 4.

Key Rating Drivers with Detailed Description

Strengths

Sharp improvement in scale of operations and profitability in H1FY27, led by entry into CDMO

Total operating income (TOI) rose 57% year-on-year to ~Rs. 1,317 crore in H1FY27 (unaudited) from ~Rs. 837 crore, driven by commercial CDMO supplies of Rs. 311 crore, 39% growth in Medical Devices and higher exports. EBITDA rose 3.7x to ~Rs. 206 crore with margins expanding to 15.6%; part of the year-on-year improvement reflects the exit of the low-margin consumer business of Dr. Morepen Limited, which was consolidated for four months in H1FY26. H1FY27 PAT of Rs. 145.2 crore exceeds FY26 full-year PAT (Rs. 94.88 crore). The company has an unexecuted CDMO order book of about Rs. 514 crore which underpins FY27 revenue visibility.

Comfortable capital structure, healthy debt protection metrics and strong liquid cushion

The company's capital structure remains comfortable, supported by a healthy adjusted tangible net worth (ATNW) base of ~Rs. 1,009 crore as on March 31, 2026. The adjusted overall gearing and total outside liabilities to adjusted tangible net worth (TOL/ATNW) stood at 0.21x and 0.68x, respectively, as on March 31, 2026. Despite an increase in total debt to ~Rs. 323 crore as on

September 30, 2026, the company's adjusted overall gearing remained comfortable at 0.29x. Further, net debt remained relatively low at around Rs. 152 crore, supported by cash and liquid investments of approximately Rs. 171 crore. The debt protection metrics also improved, with interest coverage increasing to 20.50x in H1FY27 from 8.75x in FY26 and annualised total debt to EBITDA at 0.79x (FY26: 1.45x).

Experienced promoters and established track record of over four decades

Morepen Laboratories Limited (MLL) was incorporated in 1984 and is promoted by Mr. Sushil Suri, who has over three decades of experience in the pharmaceutical industry. He is supported by Mr. Sanjay Suri and an experienced second line of management. The company has an established track record in API manufacturing, with its Loratadine manufacturing facility receiving USFDA approval in 1999. Despite facing financial stress in the early 2000s, which was addressed through a Corporate Debt Restructuring (CDR) package, the company has subsequently rebuilt its financial profile and banking relationships.

Established position in select APIs, diversified segments and export reach

MLL is among the established manufacturers of key APIs, including Loratadine, Atorvastatin, Montelukast, Fexofenadine and Desloratadine. The company has also been increasing its focus on newer molecules, which contributed around 25% of API revenue in H1FY27, compared with 14% in H1FY26. Its diversified business profile comprises APIs and CDMO, Medical Devices, including blood glucose and blood pressure monitoring devices with an installed base of around 20 million meters, and formulations. The company has a presence in over 90 countries, with exports contributing around 44% of sales in FY26. Customer concentration was low in FY26 (top five: 18.5%), but is rising in FY27 with the CDMO customer at about 34% of Q2FY27 TOI.

Regulatory-approved manufacturing facilities

The company's API manufacturing facilities at Baddi and Masulkhana are approved by the USFDA and have undergone inspections by regulatory authorities across Europe, Japan, Korea, Australia, China and Canada. Further, the company has over 400 Drug Master File (DMF) filings and ISO 13485 certification for its Medical Devices manufacturing operations. These regulatory approvals and certifications support the company's presence in regulated markets and its ability to secure and execute CDMO mandates.

Weaknesses

Customer concentration and execution risks in the CDMO business

The company's growth in H1FY27 was significantly supported by a large CDMO mandate from a global pharmaceutical company, which contributed around 34% of Q2FY27 TOI. The mandate is

scheduled to be executed over a period of 12–15 months starting March'26, resulting in potential revenue concentration over the execution period. Sustaining the improved scale and profitability beyond FY27 would depend on securing fresh CDMO mandates, diversifying the customer base and ramping up sales of newer APIs, CDMO customers. Timely execution of the balance order and conversion of the pipeline into new contracts remain key monitorable.

Pricing pressure in legacy APIs and exposure to raw material and foreign exchange volatility

The company's profitability remains susceptible to pricing pressure in the legacy API portfolio due to industry oversupply and competition. Further, the company remains substantially dependent on imports of key raw materials from China, exposing it to volatility in procurement costs and supply disruptions. The company has reported FE gains in FY25 and FY26. However, it has an unhedged foreign currency exposure of Rs. 373.89 crore as on September 30, 2026, exposing its profitability to adverse exchange rate movements.

Working capital-intensive operations and debt-funded capacity expansion

The company's operations are moderately working capital intensive, with net working capital requirements at around 39% of TOI in FY26 and cash flow from operations of Rs. 32.64 crore. Further, total debt increased from Rs. 105.10 crore as on March 31, 2025 to Rs. 322.97 crore as on September 30, 2026, primarily due to higher working capital borrowings and term loans availed for capacity expansion. Working capital borrowings alone stood at Rs. 172.04 crore as on September 30, 2026. The proposed expansion of reactor capacity to 800 KL and subsequently to around 1,000 KL is expected to be funded through a combination of debt and internal accruals. However, the overall project cost and funding mix for the subsequent expansion phases are at nascent stage. IVR will monitor the impact of incremental capex and working capital requirements on the company's liquidity and capital structure on an ongoing basis.

Business restructuring, promoter-related transactions and regulatory exposure

IVR has taken note of the ongoing restructuring involving promoter-group entities, including the deconsolidation of Dr. Morepen Limited and the proposed transfer of the Medical Devices business to Morepen Medipath Limited (a 51% subsidiary), which may dilute the earnings attributable to MLL. The said transaction remains subject to requisite approvals and completion formalities. Additionally, legacy fixed deposit-related matters, including pending cancellation of surrendered shares and potential financial implications of outstanding eligible claims, remain amongst the key monitorable.

While the company has demonstrated satisfactory regulatory compliance through recent USFDA inspections with nil observations, its operations remain exposed to stringent global regulatory

oversight, wherein any adverse inspection outcome or compliance lapse could impact manufacturing operations, exports and key customer relationships.

Liquidity – Strong

The company's liquidity position is strong, supported by healthy projected cash flow from operations over the near to medium term against relatively modest scheduled debt repayment obligations. As of September 30, 2026, liquidity is anchored by cash and bank balances of Rs. 154.96 crore, and liquid investments of Rs. 16.28 crore, alongside a current ratio of 1.98x. Average utilization of fund-based working capital limits stood at around 71% for the 12 months ended June 2026 (peaking at 85–100% during March–June 2026). Unutilised QIP proceeds of Rs. 7.98 crore in debt mutual funds offer additional liquidity for residual capex.

Rating Sensitivities

Upward Factors

- Total debt/EBITDA below 1.0x, adjusted overall gearing (including any capex debt) below 0.3x on a sustained basis
- Improvement in cash flow from operations with CFO above 50% of total debt on a sustained basis

Downward Factors

- Sustained deterioration in leverage metrics or higher working capital requirements leading to total debt/EBITDA above 1.8x or TOL/ATNW of above 0.9x
- Higher than envisaged debt-funded capex or additional borrowings leading to DSCR below 4x

About the Company

Incorporated in 1984, Morepen Laboratories Limited is an Indian pharmaceutical and healthcare company engaged in the manufacturing of active pharmaceutical ingredients (APIs), formulations and healthcare products. The company operates manufacturing facilities in Himachal Pradesh and exports its products to over 90 countries, supported by regulatory approvals from various international authorities. Its key business segments include APIs, CDMO, formulations and medical devices, with its consumer healthcare products marketed under the brand “Dr. Morepen”. The company secured a multi-year CDMO mandate of approximately Rs. 825 crore from a global pharmaceutical company in February 2026, with commercial supplies commencing in FY27. It has also expanded its presence in the US prescription generics market, strengthening its focus on higher-value pharmaceutical manufacturing and global markets.

Key Financial Indicators (Consolidated):

For the year ended/ As on*	31-03-2025	31-03-2026	30-09-2025	30-09-2026
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	1821.87	1823.62	836.81	1316.63
EBITDA	184.36	143.55	54.86	205.65
PAT	118.02	94.88	51.62	145.24
Total Debt	105.10	207.86	158.46	322.97
Adjusted Tangible Net Worth (ATNW)	1003.19	1009.46	1073.14	1114.53
EBITDA Margin (%)	10.12	7.87	6.56	15.62
PAT Margin (%)	6.45	5.19	6.10	10.92
Adjusted Overall Gearing (times)	0.10	0.21	0.15	0.29
Interest Coverage (times)	22.10	8.75	6.68	20.50

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Key Financial Indicators (Standalone):

For the year ended/ As on*	31-03-2025	31-03-2026
	Audited	Audited
Total Operating Income	1564.83	1699.08
EBITDA	163.71	129.96
PAT	101.58	66.06
Total Debt	95.51	204.57
Adjusted Tangible Net Worth (ATNW)	1003.05	1039.01
EBITDA Margin (%)	10.46	7.65
PAT Margin (%)	6.47	3.88
Adjusted Overall Gearing (times)	0.10	0.20
Interest Coverage (times)	23.05	8.07

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Applicable Criteria

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Policy on Withdrawal of Ratings

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years

Sr. No.	Instruments/ Facilities	Current Ratings (Year 2026-27)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in in 2023-24
					August 22, 2025	--	--
1.	Fund Based Facilities	LT	225.00	IVR A/ Stable	IVR A-/ Stable	--	--

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook	Listing Status	Regulator^	Complexity Indicator
Corporate Term Loan 1	-	-	-	Mar 2028	15.91	IVR A/Stable	Not Applicable	RBI	Simple
Corporate Term Loan 2	-	-	-	Mar 2029	30.00	IVR A/Stable	Not Applicable	RBI	Simple
Term Loan 1	-	-	-	Nov 2028	50.00	IVR A/Stable	Not applicable	RBI	Simple
Term Loan 2	-	-	-	Feb 2029	50.00	IVR A/Stable	Not applicable	RBI	Simple
Working Capital Term Loan	-	-	-	Mar 2029	30.00	IVR A/Stable	Not applicable	RBI	Simple
WCDL 1	-	-	-	-	46.87	IVR A/Stable	Not applicable	RBI	Simple
Proposed Working Capital	-	-	-	-	2.22	IVR A/Stable	Not applicable	RBI	Simple
WCDL 2	-	-	-	-	0.00* (79.00)	Withdrawn	Not applicable	RBI	Simple
Cash Credit	-	-	-	-	0.00* (20.00)	Withdrawn	Not applicable	RBI	Simple

^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

*Ratings Withdrawn based on No due certificate and at the request of the company and as per Infomerics policy on withdrawal of ratings

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/Len_Morepen_Labor17_Nov26_d46c2558e7.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for Consolidated/Combined analysis:

Name of the entity	Extent of Consolidation	Rationale for consolidation
Morepen Rx Limited	100%	Wholly owned subsidiary
Morepen Devices Limited	100%	Wholly owned subsidiary
Morepen Bio Inc., USA	100%	Wholly owned subsidiary
Morepen Labs – FZCO (now FZE)	100%	Wholly owned subsidiary
Morepen Medipath Limited (formerly Morepen Medtech Limited)	60%^	Direct subsidiary
Morepen Medical Equipment Trading L.L.C., UAE	60% effective interest^	Step-down subsidiary
Sigmacheck Health Private Limited	60% effective interest^	Step-down subsidiary

^As on September 30, 2026, the company's aggregate shareholding in the subsidiary and step-down subsidiary reduced to 51%.

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instruments
1	Listed/Proposed to be listed bonds/debentures/preference share (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* $	RBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11a	Fixed Deposits raised by NBFCs, HFCs, FIs	RBI
11b	Fixed Deposits raised by Banks	+
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI

Sr. No.	Instrument / activity Name	Regulator of the instruments
18	Listed Security Receipts $	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis)	+
22	Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))	SEBI
23	Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

Footnotes:

** Includes securitisation transactions involving assignee payout, acquirer's payout.*

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Infomerics Valuation and Rating Limited shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

 # There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated Feb 10, 2026 and the investor side regulators have accordingly been included.

$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

+ To be finalized following a discussion with the regulatory authorities.

***Note:** For activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.*

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