Jagsonpal Pharmaceuticals Limited

February 19, 2018

Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Fund-based	13.00	[ICRA]BB+ (Stable)
Non-fund based	0.30	[ICRA]BB+ (Stable)
Non-fund based	6.70	[ICRA]A4+
Total	20.00	

Material Event

Jagsonpal Pharmaceuticals Limited (JPL) announced its quarterly results on February 9, 2018. The company reported an operating income (OI) of Rs. 94.2 crore with operating loss of Rs. 9.5 crore and net loss of Rs. 10.3 crore in 9M FY2018 against OI of Rs. 114.8 crore with operating profit (OPBITDA) of Rs. 5.7 crore and profit after tax (PAT) of Rs 11.1 crore[1] in 9MFY2017.

Impact of the Material Event

The ratings at present remain unchanged at ICRA]BB+ (Stable)/ A4+. The company's profit and loss account remains under pressure owing to the after-effects of GST implementation, as expected. However, ICRA notes the company's debt-free position with nil utilisation of working-capital limits as well as available cash of ~Rs. 9.0 crore as on December 31, 2017.

The ratings draw comfort from JPL's comfortable capital structure amid nil working-capital limit utilisation, which along with current available cash, keeps it liquidity position at adequate levels. The ratings continue to take into account JPL's established track record and long presence in the Indian pharmaceutical industry. The company has a moderate brand presence in select therapeutic categories and sells through a strong domestic distribution network.

The ratings, however, are constrained by the pressure on the company's revenues and margins post GST implementation. It reported loss of Rs 10.3 crore in 9M FY2017 against the year-ago profit of Rs. 11.1 crore. This was primarily because the company offered heavy discounts and high incentives to distributors to push sales of old stocks and absorbed the GST hike. Further, stock build-up and traditionally long receivable cycle lengthened JPL's working-capital cycle.

Going forward, the company's ability to maintain its debt coverage and liquidity position as well as revive its profits will be key rating monitorables.

The previous detailed rating rationale is available on the following link: Click Here

[1] Includes Rs 12.8 crore of exceptional gain from sale of fixed asset

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