

August 28, 2023

Kwality Pharmaceuticals Ltd.: Ratings downgraded based on best available information and moved to Non-Cooperating category

Summary of rating action

Instrument [^]	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based – Term Loan	22.00	22.00	[ICRA]BB+(Stable); ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BBB(Stable) and moved to the 'Issuer Not Cooperating' category
Long Term – Fund Based – Working Capital	24.08	24.08	[ICRA]BB+(Stable); ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BBB (Stable) and moved to the 'Issuer Not Cooperating' category
Short-term – Non-fund based	9.00	9.00	[ICRA]A4+; ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]A3+ and moved to the 'Issuer Not Cooperating' category
Long-term/Short-term – Unallocated	9.92	9.92	[ICRA]BB+(Stable)/[ICRA]A4+; ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BBB (Stable)/[ICRA]A3+ and moved to the 'Issuer Not Cooperating' category
Total	65.00	65.00	

*Issuer did not cooperate; based on best available information.

[^]Instrument details are provided in Annexure-I

Rationale

The rating downgrade is because of lack of adequate information regarding Kwality Pharmaceuticals Ltd.'s (KPL) performance and hence the uncertainty around its credit risk. ICRA assesses whether the information available about the entity is commensurate with its rating and reviews the same as per its "Policy in respect of non-cooperation by a rated entity" available at www.icra.in. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating may not adequately reflect the credit risk profile of the entity, despite the downgrade.

As part of its process and in accordance with its rating agreement with Kwality Pharmaceuticals Ltd.'s (KPL), ICRA has been trying to seek information from the entity so as to monitor its performance. Further, ICRA has been sending repeated reminders to the entity for payment of surveillance fee that became due. Despite multiple requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information and in line with the aforesaid policy of ICRA, the rating has been moved to the "Issuer Not Cooperating" category. The rating is based on the best available information.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#). ICRA is unable to provide the latest information because of non-cooperation by the entity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy in respect of non-co-operation by the rated entity Rating Methodology for Entities in the Pharmaceutical Industry
Parent/Group support	Not Applicable

Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of KPL as enlisted in Annexure-2.
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Key financial indicators (audited)

KPL Consolidated	FY2022	FY2023 (Unaudited)	Q1 FY2024 (Unaudited)
Operating income	456.2	251.0	67.4
PAT	119.9	19.3	5.4
OPBDITA/OI	37.6%	23.9%	20.4%
PAT/OI	26.3%	7.7%	8.0%
Total outside liabilities/Tangible net worth (times)	0.9	0.8	-
Total debt/OPBDITA (times)	0.3	1.5	-
Interest coverage (times)	58.8	9.9	6.3

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

About the company

KPL was incorporated in 1983 as a private limited company, promoted by Mr. Ramesh Arora. The company was reconstituted to a closely held public limited company in 1993 and got listed on the SME platform of the Bombay Stock Exchange in July 2016 and subsequently migrated to main board of BSE Limited in June 2022. It manufactures pharmaceutical formulations in the form of injectables, tablets, capsules, and syrups. It has two units each in Amritsar (Punjab) and Kangra (Himachal Pradesh); the Kangra unit commenced production in October 2008.

Status of non-cooperation with previous CRA:

Instrument	Ratings	Date of release
BLR	[CRISIL]B(Stable)/[CRISIL]A4; Issuer not cooperating; Rating continues to remain under ISSUER NOT COOPERATING category	May 31, 2023

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on (Rs. Crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
				Aug 28, 2023		Aug 30, 2022	May 21, 2021
1 Fund Based – Term Loan	Long Term	22.00	-	[ICRA]BB+(Stable); NOT COOPERATING	ISSUER	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2 Fung Based – Working Capital	Long Term	24.08	-	[ICRA]BB+(Stable); NOT COOPERATING	ISSUER	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3 Non-Fund Based – Working Capital	Short Term	9.00	-	[ICRA]A4+; COOPERATING	ISSUER NOT	[ICRA]A3+	[ICRA]A3+
4 Unallocated	Long Term/Short Term	9.92	-	[ICRA]BB+(Stable)/[ICRA]A4+; ISSUER NOT COOPERATING		[ICRA]BBB (Stable)/[ICRA]A3+	[ICRA]BBB (Stable)/[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loans	Simple
Long-term – Fund Based Working Capital	Simple
Short -term – Non-fund Based	Very Simple
Long-term/ Short -term – Unallocated	Not Applicable

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	July 2020	NA	March 2023	2.00	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
NA	Term Loan-II	July 2020	NA	March 2023	4.00	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
NA	Term Loan-III	July 2020	NA	March 2023	4.00	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
NA	Term Loan-IV	July 2020	NA	March 2023	4.00	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
NA	Term Loan-V	July 2020	NA	July 2025	8.00	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
NA	Fund based working capital	-	NA	-	24.08	[ICRA]BB+(Stable); ISSUER NOT COOPERATING
NA	Non-fund-based working capital	-	NA	-	9.00	[ICRA]A4+; ISSUER NOT COOPERATING
NA	Unallocated	-	NA	-	9.92	[ICRA]BB+(Stable)/[ICRA]A4+; ISSUER NOT COOPERATING

Source: Company

Annexure II: List of entities considered for consolidated analysis:

Company Name	KPL Ownership	Consolidation Approach
Kwality Pharmaceuticals Limited	100.00% (rated entity)	Full Consolidation
Kwality Pharmaceuticals Africa LDA (Mozambique)	100%	Full Consolidation

Source: KPL annual report for FY2022 and unaudited financial results for FY2023

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545 328

Shamsherd@icraindia.com

Kinjal Shah

+91 022 6114 3400

kinjal.shah@icraindia.com

Sheetal Sharad

+91 124 4545 308

Sheetal.sharad@icraindia.com

Susovan Mondal

+91 124 4545 392

Susovan.mondal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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