

October 22, 2024

Kwality Pharmaceuticals Ltd.: Rating downgraded and Continues to remain under issuer Non-Cooperating category

Summary of rating action

| Instrument [^] | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|-----------------------------------|-----------------------------------|----------------------------------|--|
| Long Term -Fund Based-Cash Credit | 24.08 | 24.08 | [ICRA]B+(Stable); ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BB+(Stable); ISSUER NOT COOPERATING and continues to remain under the 'Issuer Not Cooperating' category. |
| Long Term-Fund Based-Term Loan | 22.00 | 22.00 | [ICRA]B+(Stable); ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BB+(Stable); ISSUER NOT COOPERATING and continues to remain under the 'Issuer Not Cooperating' category. |
| Short Term-Non fund Based | 9.00 | 9.00 | [ICRA]A4; ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]A4+; ISSUER NOT COOPERATING and continues to remain under the 'Issuer Not Cooperating' category. |
| Long Term/Short Term -Unallocated | 9.92 | 9.92 | [ICRA]B+(Stable); ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BB+(Stable); ISSUER NOT COOPERATING/[ICRA]A4; ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]A4+; ISSUER NOT COOPERATING and continues to remain under 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-1

Rationale

The rating downgrade is attributable to the lack of adequate information regarding Kwality Pharmaceuticals Ltd. 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., 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 continued 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 the 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 | Policy in respect of non-cooperation by the rated entity Corporate Credit Rating Methodology Rating Methodology – Pharmaceuticals |
| Parent/Group Support | NA |
| Consolidation/Standalone | Standalone |

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.

Key Financial Indicator

| | FY2023 (in crore) | FY2024 (in crore) |
|--|-------------------|-------------------|
| Operating income | 250.99 | 307.17 |
| PAT | 19.47 | 23.98 |
| OPBDIT/OI | 24.3% | 21.7% |
| PAT/OI | 7.8% | 7.8% |
| Total outside liabilities/Tangible net worth (times) | 0.77 | 0.76 |
| Total debt/OPBDIT (times) | 1.79 | 1.76 |
| Interest coverage (times) | 9.21 | 6.42 |

Source: MCA

Status of non-cooperation with previous CRA:

| CRA | Status | Date of Release |
|--------|--|-----------------|
| CRISIL | [CRISIL]B(Stable)/[CRISIL]A4; ISSUER NOT COOPERATING | July 29, 2024. |

Any other information: None

Rating history for past three years

| | Instrument | Current Rating (FY2025) | | | Chronology of Rating History for the past 3 years | | |
|---|----------------|-------------------------|--------------------------|--|---|-------------------------|-------------------------|
| | | Type | Amount Rated (Rs. crore) | Date & Rating in | Date & Rating in FY2024 | Date & Rating in FY2023 | Date & Rating in FY2022 |
| | | | | Oct 22, 2024 | | | |
| 1 | Cash Credit | Long Term | 24.08 | [ICRA]B+(Stable); ISSUER NOT COOPERATING | [ICRA]BB+(Stable); ISSUER NOT COOPERATING | [ICRA]BBB(Stable) | [ICRA]BBB(Stable) |
| 2 | Term Loan | Long Term | 22.00 | [ICRA]B+(Stable); ISSUER NOT COOPERATING | [ICRA]BB+(Stable); ISSUER NOT COOPERATING | [ICRA]BBB(Stable) | [ICRA]BBB(Stable) |
| 3 | Non fund Based | Short Term | 9.00 | [ICRA]A4; ISSUER NOT COOPERATING | [ICRA]A4+; ISSUER NOT COOPERATING | [ICRA]A3+ | [ICRA]A3+ |

| | | | | | | | |
|---|-------------|--------------------------|------|---|---|---------------------------------|---------------------------------|
| 4 | Unallocated | Long Term/ Short Term | 9.92 | [ICRA]B+(Stable); ISSUER NOT COOPERATING/ [ICRA]A4; ISSUER NOT COOPERATING | [ICRA]BB+(Stable); ISSUER NOT COOPERATING/ [ICRA]A4+; ISSUER NOT COOPERATING | [ICRA]BBB(Stable)/ [ICRA]A3+ | [ICRA]BBB(Stable)/ [ICRA]A3+ |
|---|-------------|--------------------------|------|---|---|---------------------------------|---------------------------------|

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|----------------|----------------------|
| Cash Credit | Simple |
| Term Loan | Simple |
| Non fund Based | Very Simple |
| 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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

| ISIN No | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (RS Crore) | Current Rating and Outlook |
|---------|-----------------|-----------------------------|-------------|---------------|-------------------------|--|
| NA | Term Loan-I | July 2020 | NA | March 2023 | 2.00 | [ICRA]B+(Stable); ISSUER NOT COOPERATING |
| NA | Term Loan-II | July 2020 | NA | March 2023 | 4.00 | [ICRA]B+(Stable); ISSUER NOT COOPERATING |
| NA | Term Loan-III | July 2020 | NA | March 2023 | 4.00 | [ICRA]B+(Stable); ISSUER NOT COOPERATING |
| NA | Term Loan-IV | July 2020 | NA | March 2023 | 4.00 | [ICRA]B+(Stable); ISSUER NOT COOPERATING |
| NA | Term Loan-V | July 2020 | NA | July 2025 | 8.00 | [ICRA]B+(Stable); ISSUER NOT COOPERATING |
| NA | Cash Credit | - | NA | - | 24.08 | [ICRA]B+(Stable); ISSUER NOT COOPERATING |
| NA | Non fund Based | - | NA | - | 9.00 | [ICRA]A4; ISSUER NOT COOPERATING |
| NA | Unallocated | - | NA | - | 9.92 | [ICRA]B+(Stable); ISSUER NOT COOPERATING/ [ICRA]A4; ISSUER NOT COOPERATING |

Source: Kwaliti Pharmaceuticals Ltd.

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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Branches



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