

## Nestor Pharmaceuticals Limited

Facility	Amount	Rating Action
		<b>March 2016</b>
Fund Based Facilities (CC)	Rs. 51.00 Crore	[ICRA]C+; Reaffirmed
Non Fund Based Facilities (LC/BG)	Rs. 16.00 Crore	[ICRA]A4; Reaffirmed
Unallocated LT/ST	Rs. 8.00 Crore	[ICRA]C+/[ICRA]A4; Reaffirmed

ICRA has reaffirmed its [ICRA]C+(pronounced ICRA C Plus) rating on the Rs. 51.00 crore bank facilities of Nestor Pharmaceuticals Limited (NPL)<sup>†</sup>. ICRA has also reaffirmed its short term rating of [ICRA]A4 (pronounced ICRA A four) on the Rs. 16.00 crore non fund based limits. The unallocated long term/short term ratings for Rs. 8.00 crore have been reaffirmed at [ICRA]C+/[ICRA]A4.

The rating reaffirmation takes into account the continuing consolidated net losses for NPL in 2014-15 which was substantial on account of the weak performance of its UK subsidiary. The ratings also factor in the high working capital intensity of the company with NWC/OI<sup>1</sup> at 33.7% as on March 31, 2015, although it has improved due to moving ahead with distribution model for supplying products in the African market. ICRA also takes note of the closure of the company's UK manufacturing operations, which had a total external debt of Rs. 21.57 crore, the repayment of which could lead to further stress on the company's liquidity. ICRA has factored in the company's stretched financial risk profile with high gearing and weak debt coverage indicators.

However, the ratings positively factor in the long experience of the promoters in the formulation business, healthy growth in the formulations business and the company's diversified geographic presence. The rating also takes note of improvement in the operating margins in 2014-15, and the change in the depreciation clause as well as impairment of investments which led to net losses in 2014-15. The ratings also factor in the company's healthy order book from the domestic government supplies business.

Going forward, the ratings would remain sensitive to NPL's ability to increase its profitability and manage its liquidity position and continued support from promoters.

### Recent Results

In 2014-15, NPL reported a standalone operating income (OI) of Rs.130.8 crore and net losses of Rs. 1.4 crore as against an OI of Rs. 108.5 crore and net losses of Rs.3.2 crore in the previous year. In 2014-15, NPL reported a consolidated OI of Rs.130.9 crore and net losses of Rs. 8.9 crore as against an OI of Rs. 117.7 crore and net losses of Rs.12.6 crore in the previous year.

### Company Profile

Incorporated in 1975 by the Sehgal family, NPL manufactures and markets a wide range of branded and generic formulations. Nestor has two umbrella brands under which products are marketed globally - 'Nestor' which is an established brand and 'Steriheal' which is being developed as a 'hygiene for health' brand.

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<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications  
1 NWC/OI-Net Working Capital/Operating Income



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