

Lincoln Pharmaceuticals Limited

Instrument	Amount Rated	Rating Action
Long Term fund Based-Cash Credit	Rs. 48.00 crore	[ICRA]A- reaffirmed; Outlook revised to 'Negative' from 'Stable'
Long Term Fund Based-EPC/PCFC	(Rs. 32.00 crore)*	[ICRA]A- reaffirmed; Outlook revised to 'Negative' from 'Stable'
Long Term Fund Based-Proposed Term Loan	Rs. 10.00 crore	[ICRA]A- reaffirmed; Outlook revised to 'Negative' from 'Stable'
Short Term Fund based Limits	Rs. 3.00 crore	[ICRA]A2+ reaffirmed
Short Term Non-Fund based Limits	Rs. 14.00 crore	[ICRA]A2+ reaffirmed

*Sublimit of cash credit facility

ICRA has reaffirmed the long-term rating of [ICRA]A- (pronounced ICRA A minus) assigned to the Rs. 48.00 crore* cash-credit facility and the Rs. 32.00 crore EPC/PCFC facility (sublimit of cash credit facility) of Lincoln Pharmaceuticals Limited (LPL)[†]. The long term rating of [ICRA]A- has also been reaffirmed to the Rs. 10.00 crore proposed term loan facility of LPL. The short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) has also been reaffirmed to the Rs. 3.00 crore short-term fund based facilities and the Rs. 14.00 crore short term non-fund based facilities of LPL. The outlook on the long-term has been revised from 'Stable' to 'Negative'.

For arriving at the ratings, ICRA has combined the business and financial risk profiles of Lincoln Pharmaceuticals Limited (LPL) and Lincoln Parenteral Limited (LPPL) as LPPL is a subsidiary of LPL (current holding 98.58%) and both entities are owned and managed by the same promoters and are engaged in related lines of business.

The revision in outlook takes into account the recent ban on a major product of the company - Chloramphenicol Sodium Succinate' injection in Tanzania, one of the major export destinations of the company which could adversely impact the profitability of the company in the near term. The profitability

could also be adversely impacted by the losses on account of significant pileup of inventory at the company's factory as well as the order to destroy the quantity of the product which has been despatched to Tanzania. ICRA also notes that the growth in export markets is dependent on timely product and facility approvals in the various semi-regulated markets in which Lincoln Group operates.

The re-affirmation in ratings however, reflect the long standing experience of the promoters and established track record of Lincoln Group in the pharmaceutical formulations industry spanning more than three decades, their established business relations with customers and the healthy growth in operating income over the last three fiscals (FY 2013 to FY 2015) which has continued during 9M FY 2015-16 owing to regular launches of new products/variants as well as its extensive marketing network. The ratings continue to favourably factor in the continued growth in exports especially to semi-regulated markets and the geographic diversification of operations with the group's presence in more than 20 states in domestic markets. ICRA also notes the comfortable financial profile of the group characterized by low gearing and healthy debt protection indicators. The ratings also consider the favourable growth prospects in the long term with diversification into Beta-lactam product categories following completion of planned capex in FY 2017-18.

The assigned ratings continue to be constrained by the vulnerability of operations to changes in the Government policies related to price control as well as the highly competitive domestic generic formulations industry which limits the group's pricing flexibility although ICRA notes that the group's profitability has improved over the last five years owing to successful product launches. The ratings

* 100 lakhs = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



also consider the high working capital intensity of the group owing to the long credit period extended to customers especially in the export markets.

Company Profile

Established as a partnership firm in 1979, Lincoln Pharmaceuticals Limited (LPL) has been engaged in manufacturing and trading of pharmaceutical formulations in the domestic market as well as exports of formulations. LPL was reconstituted as a public limited company in 1991 and is listed on BSE. The manufacturing plant located in Kharjat in Gandhinagar district of Gujarat has installed capacity of manufacturing 100 crore tablets, 45 crore capsules and 90 lakh packs of ointments per annum; the unit is ISO 9001, ISO 14001 and OHSAS 18001 certified and WHO, cGMP, MHRA and TGA compliant[‡].

The company is a part of Lincoln Group which is engaged in manufacturing of pharmaceutical formulations in categories such as generics, anti-malarial, anti-diabetic, gynaecology products, vitamins, minerals and anti-oxidants etc. The company's subsidiary Lincoln Parenteral Limited (LPPL) was incorporated in 1991 and is engaged in manufacturing of formulations in dry powder, liquid injectibles, and syrup variants; LPL has 98.58% holding in LPPL. LPL has another subsidiary named Zullinc Healthcare Limited which is engaged in trading and marketing of pharmaceutical products.

Recent Results

During FY 2015, Lincoln Group (consolidated) reported operating income of Rs. 267.11 crore and profit after tax of Rs. 15.04 crores as against operating income of Rs. 210.49 crores and profit after tax of Rs. 10.18 crores in FY 2014. During FY 2015, LPL reported an operating income of Rs. 223.40 crore and profit after tax of Rs.14.77 crore as against operating income of Rs 208.49 crore and profit after tax of Rs 11.42 crore in FY 2014.

Further, during 9M FY 2016 Lincoln Group (consolidated) reported operating income of Rs. 279.00 crore and profit after tax of Rs. 19.71 crores and LPL (standalone) has reported operating income of Rs. 222.22 crore and profit after tax of Rs. 16.65 crore (as per unaudited provisional financials).

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[‡] OHSAS: Occupational Health and Safety Management System; MHRA: Medicines and Healthcare products Regulatory Agency; TGA: Therapeutic Goods Administration

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