Lincoln Pharmaceuticals Ltd — 11 Oct 2024 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**Reaffirmed** at CRISIL A / Stable / CRISIL A1 (No notches moved)
Outlook	**Stable** (Current) vs **Stable** (Previous)
Key Drivers of Change	1. **Robust Solvency:** Consolidated Networth of ₹592.5 Cr (FY24) against negligible debt. 2. **Operational Resilience:** 10% 5-year revenue CAGR; 1,700+ registered products across 15+ therapeutic areas. 3. **Massive Coverage:** Interest coverage at 97x and NCATD at 7.15x (FY24), indicating virtually no default risk. 4. **Working Capital Drag:** GCA expected at 150-160 days (Receivables 90-105 days), which acts as a ceiling on rating upgrades.
Rated Instruments	• **Export Packing Credit:** ₹51 Cr
Key Observations	• **Strength:** Zero-debt status with high liquidity (₹216.5 Cr in liquid investments). • **Strength:** Established export presence; entry into the European market is a future growth lever. • **Strength:** Strong internal accruals; no debt-funded capex planned for the medium term. • **Risk:** Significant "Loans and Advances" to affiliates/individuals (formerly ₹51.4 Cr) remains a monitorable. • **Risk:** High susceptibility to international regulatory changes and intense generic competition. • **Risk:** Working capital intensive; long credit periods (up to 120 days for LC sales) trap cash.
Investor Impact	• **Growth:** Moderate outlook (7-8% revenue growth); market expansion into Europe is key. • **Margins:** Competitive pressure and regulatory compliance costs may cap margin expansion. • **Leverage:** Pristine balance sheet; zero risk of equity dilution via debt-repayment pressure. • **Governance:** The practice of extending loans to third parties/affiliates requires scrutiny.
Agency / Cross Analysis	**Same Agency:** Reaffirmed. CRISIL has revised its analytical approach to fully consolidate Zullinc Healthcare (ZHL) due to fungible cash flows and common management. Financial metrics (Interest coverage 97x) are technically superior to 'A' category benchmarks, but the rating is constrained by "Sizeable loans/advances" and "Working capital intensity." **Conclusion: Improvement in liquidity/solvency** but **Static in credit tier** due to capital efficiency and scale concerns.
Final Inference	**Real Strength, Restricted Rating.** The company operates as a "Net Cash" entity with massive coverage ratios. The rating remains at 'A' (not higher) likely due to the moderate scale of operations and the capital-allocation signal sent by extending loans to affiliates.