

JUBILANT LIFE SCIENCES

USFDA Regulatory Rap Hits Near-term Prospects

Drug maker Jubilant Life Sciences has been a laggard in the pharma sector because of a subdued performance in recent quarters. The company's performance in the last quarter was encouraging as it reported a sequential improvement in operations over the preceding quarter – with improvement in margins for its key segments. The management has also announced plans to raise funds through an international listing as part of ongoing efforts to de-leverage the balance sheet. This has led to some buying interest in the company's stock with a price appreciation of 44% after the results were unveiled.

CHART of the day

However, with a recent rap on its knuckles from the drug regulator US FDA for its second manufacturing facility, hopes of a recovery in the company's fortunes and its stock price have been dashed for now. The US facility contributed close to 7% to consolidated revenues and 4% of consolidated EBITDA (earnings before interest, tax and depreciation) of the company for the first half of this fiscal. While the ongoing product supplies from the facility will not be hampered, no new approvals will be granted till corrective actions have been undertaken. This implies that while the company's performance will not be impacted, it will have a negative impact on growth prospects in terms of delay in product approvals. This regulatory clamp down is also likely to act as a dampener to the company's plans of a successful international listing. Little wonder then that the stock has corrected 20% since the news of the warning letter as further punitive action cannot be ruled out. The development is likely to influence sentiment in the company's stock in the near term.

Regulatory / company