

May 22, 2015

Facilities	Amount (Rs. crore)	Ratings
Term Loan	1.54	SMERA BBB-/Stable (Assigned)
Working Capital Term Loan	0.93	SMERA BBB-/Stable (Assigned)
Cash Credit	4.50*	SMERA BBB-/Stable (Assigned)
Letter of Credit/Buyer's Credit	1.00**	SMERA A3 (Assigned)
Bank Guarantee	1.00#	SMERA A3 (Assigned)

*Includes Working Capital Demand Loan as a sublimit to the extent of Rs.2.00 crore

*Includes Pre-Shipment Export Credit as a sublimit to the extent of Rs.4.00 crore

*Includes Foreign Bills Purchased/Discounted/Advance Against Bills on Collection as a sublimit to the extent of Rs.4.00 crore

*Includes Letter of Credit/Buyer's Credit as a sublimit to the extent of Rs.1.50 crore

**Includes Bank Guarantee as a sublimit to the extent of Rs.1.00 crore

#Includes Letter of Credit/Buyer's Credit as a sublimit to the extent of Rs.1.00 crore

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and a short-term rating of '**SMERA A3**' (read as **SMERA A three**) to the abovementioned bank facilities of Centurion Remedies Private Limited (CRPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and strong financial profile. The ratings are also supported by the company's strong revenue growth and comfortable operating efficiency. However, the ratings are constrained by the company's moderate-scale operations in a highly competitive and regulated segment of the pharmaceutical industry. The ratings are also constrained by the company's exposure to customer and geographical concentration risks. The ratings note that the company's profitability is susceptible to raw material price volatility and forex fluctuations.

CRPL, incorporated in 2003, is a Vadodara-based company engaged in manufacturing of generic formulations. CRPL benefits from its experienced management. Mr. Ambalal Patel, founder and director of CRPL, has around four decades of experience in the pharmaceutical industry. CRPL's strong financial profile is marked by low gearing (debt-to-tangible net worth ratio) of 0.75 times as on March 31, 2014 and healthy debt service coverage ratio (DSCR) of 3.15 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's revenues increased from Rs.60.73 crore in FY2013-14 to Rs.79.70 crore (provisional) in FY2014-15, which reflects a healthy growth of ~31 per cent.

CRPL's comfortable operating efficiency is evidenced by negative working capital cycle of 15 days and healthy return on capital employed (RoCE) of 20.83 per cent in FY2013-14.

CRPL faces intense competition from several players in the pharmaceutical industry. The company's operations are susceptible to adverse changes in regulations governing the healthcare and pharmaceutical industry. CRPL is exposed to customer and geographical concentration risks,

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which arise from high dependence on orders received from a single client in Philippines. The company's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates.

Rating sensitivity factors

- Deterioration in liquidity position
- Decline in net cash accruals
- Higher-than-expected debt-funded capital expenditure

Outlook: Stable

SMERA believes CRPL will maintain a stable business risk profile over the medium term on the back of experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers substantial growth in earnings while maintaining a comfortable working capital cycle. The outlook may be revised to 'Negative' in case of deterioration in the company's business or financial risk profile.

About the company

CRPL was established a proprietorship entity in 1986 by Mr. Ambalal V. Patel. The firm was converted into a private limited company in 2003.

CRPL is engaged in manufacturing and export of generic formulations. The company also undertakes contract manufacturing. CRPL derives ~40 per cent of its revenues from exports. The company also caters to merchant exporters and state government bodies in India.

CRPL has a manufacturing unit in Baroda, Gujarat. The company has ISO 9001:2000 and WHO-GMP certifications.

For FY2013-14, CRPL reported profit after tax (PAT) of Rs.0.94 crore on operating income of Rs.60.73 crore, as compared with PAT of Rs.1.13 crore on operating income of Rs.44.64 crore in the previous year. The company's net worth stood at Rs.7.72 crore as on March 31, 2014, as compared with Rs.6.16 crore a year earlier. CRPL has registered operating income of Rs.79.70 crore (provisional) for the period April 2014 to March 2015.

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