

Press Release

Centurion Remedies Private Limited (CRPL)

06 March, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 8.97 Cr.
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Assigned)

*Refer annexure for details

SMERA has reaffirmed long-term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs 8.97 crore bank facilities of Centurion Remedies Private Limited (CRPL). The outlook is '**Stable**'.

Baroda based CRPL was established as a proprietorship firm in 1986 by Mr. Ambalal Patel and converted into a private limited company in 2003. The company is engaged in the manufacturing of generic formulations and also undertakes contract manufacturing apart from catering to merchant exporters and state government bodies in India. The company has ISO 9001:2000 and WHO-GMP certifications and its manufacturing unit is located at Baroda, Gujarat.

Analytical approach:

For arriving at the rating, SMERA has taken a consolidated view on the business and financial risk profile of Centurion Remedies Private Limited and Centurion Laboratories Private Limited. The aforementioned entities are collectively referred to as the Centurion Group. The consolidation is in view of the companies' similar business model, common management and business and financial synergies.

Key rating drivers

Strengths

Experienced management and established track record of operations

Centurion Group was promoted by Mr. Dhruval Patel and Mr. Ambalal Patel. The promoters have more than 20 years' experience in the pharmaceutical industry. This experience has helped the group to establish long lasting relationship with its suppliers and customers.

Average Financial Risk Profile

Centurion Group has an average financial risk profile marked by a net worth of Rs 17.57 in FY 2017 as against Rs 15.98 crore in FY 2017. The gearing improved to 1.26 times in FY 2017 as against 1.61 times in FY 2016. The Interest Coverage Ratio stood at a healthy 4.69 times in FY 2017 as against 3.81 times in FY 2016. Going forward, SMERA expects the company to maintain its financial risk profile and improve its net worth in the absence of any major debt funded capex plan.

Weaknesses

Working Capital Intensive operations and stretched liquidity

The working capital operations of Centurion group are intensive marked by high Gross Current Assets (GCA) days of 154 days in FY 2017 as against 161 in FY 2016. The GCA days are mainly dominated by high debtor days 70 in FY 2017 as against 93 days in FY 2016. Further the Cash credit facilities were completely utilized. The current ratio stood at 0.90 times in FY 2017 as against 1.09 times in FY 2016.

Highly regulated and competitive nature of the Pharma sector

All the products and companies in the pharmaceutical industry are regulated by several policies and bodies in terms of quality control, safety and health standards, and several other certifications and control standards. Any changes or regulations by the regulatory bodies may hamper the business of entities prevailing in the industry. Further, company faces intense competition from large players present in the industry.

Exposure to foreign exchange fluctuations:

The group imports ~15% of its raw material requirements. CRPL exports 58.5% of its sales to countries like Philippines, Kenya, China and Sri Lanka whereas CLPL exports 97% of its sales to countries like Philippines, Kenya, China and Sri Lanka. The group is thus exposed to foreign exchange fluctuation risk in the absence of any hedging mechanism.

Outlook – Stable

SMERA believes that Centurion group will continue to benefit over the medium term on account of the company's established presence in formulation industry and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and cash accruals while demonstrating improvement in the working capital cycle. Conversely, the outlook may be revised to negative in case the group's business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than- expected net cash accruals leading to significant stretch in group's working capital cycle.

About the Group

Centurion Group comprises of two companies Viz. Centurion Remedies Private limited and Centurion Laboratories Private Limited (CLPL). CLPL was incorporated in December 2006. The company has a production capacity of 840 crore tablets and 270 crore capsules per annum. The plant manufactures tablets between 10 and 100 mg. The company is promoted by Mr. Dhruval Patel and Mr. Ambalal Patel who have more than 20 years' experience in the pharmaceutical industry. It commenced commercial operations in 2014 and caters to export customers.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	118.23	140.23	93.40
EBITDA	Rs. Cr.	8.24	9.36	8.17
PAT	Rs. Cr.	1.56	2.25	0.31
EBITDA Margin	(%)	6.97	6.67	8.74
PAT Margin	(%)	1.32	1.60	(0.43)
ROCE	(%)	10.18	14.19	9.27
Total Debt/Tangible Net Worth	Times	1.17	1.59	1.56
PBDIT/Interest	Times	4.69	3.81	2.88
Total Debt/PBDIT	Times	3.88	4.70	4.13
Gross Current Assets (Days)	Days	154	161	166

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities- <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Jan-2018	Term Loan	Long Term	1.54	SMERA BBB-/ (Indicative)
	Working Capital term Loan	Long Term	0.93	SMERA BBB-/ (Indicative)
	Cash credit	Long Term	4.50	SMERA BBB-/ (Indicative)
	Letter of Credit	Short Term	1.00	SMERA A3/ (Indicative)
	Bank Gurantee	Short Term	1.00	SMERA A3/ (Indicative)
29-Aug-2016	Cash credit	Long Term	1.54	SMERA BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	0.93	SMERA BBB- /Stable (Reaffirmed)
	Term Loan	Long Term	4.50	SMERA BBB- /Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	SMERA A3/ (Reaffirmed)
	Bank Gurantee	Short Term	1.00	SMERA A3/ (Reaffirmed)
	Cash credit	Long Term	1.54	SMERA BBB- / Stable (Assigned)
	Term Loan	Long Term	0.93	SMERA BBB- /Stable (Assigned)

22-May-2015	Term Loan	Long Term	4.50	SMERA BBB- /Stable (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A3/ (Assigned)
	Bank Gurantee	Short Term	1.00	SMERA A3/ (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BBB-/ Stable (Reaffirmed)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	0.17	SMERA BBB-/ Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Assigned)
Letter of Credit/Buyer's Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3 (Reaffirmed)

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ABOUT SMERA

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