

April 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	8.78	SMERA BB-/Stable (Assigned)
Cash Credit	2.50	SMERA BB-/Stable (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)
Bank Guarantee	0.50	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the Rs.13.78 crore bank facilities of Apicore Pharmaceuticals Private Limited (APPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and moderate financial risk profile. However, the ratings are constrained by the company's working capital-intensive operations. The ratings note that the company's profit margins are exposed to forex fluctuation risk. The ratings also note that the company's operations are susceptible to regulatory actions.

APPL, incorporated in 2006, is a Gujarat-based company engaged in manufacturing and export of speciality active pharmaceutical ingredients (APIs) in cardiology and oncology segments. APPL is a wholly-owned subsidiary of the US-based Apicore LLC, which caters to around 30 generic and branded pharmaceutical companies. APPL has moderate-scale operations with operating income of Rs.24.78 crore in FY2013-14 (refers to financial year April 01 to March 31). The company's interest coverage is moderate at 2.59 times in FY2013-14.

APPL's operations are working capital-intensive, with gross current assets (GCA) of 196 days in FY2013-14. The company's average utilisation of working capital limit was moderate at 88 per cent during March 2014 to January 2015. APPL's profit margins are highly susceptible to forex fluctuation risk, given that the company derives ~90 per cent of its revenue from exports. APPL mainly caters to US-based customers. The company's operations are thus susceptible to any adverse observations made by US Food and Drug Administration (USFDA).

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Outlook: Stable

SMERA believes APPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue while achieving consistent improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's profit margins, or in case of deterioration in the company's financial risk profile or working capital management.

About the company

APPL, incorporated in 2006, is a Gujarat-based company engaged in manufacturing of speciality active pharmaceutical ingredients in cardiology and oncology segments. APPL is a wholly-owned subsidiary of Apicore LLC, USA.

APPL has an experienced management team. Dr. Ravishanker Kovi and Dr. Vitthal Dhaduk, directors of APPPL, have around ten years of experience in the pharmaceutical sector.

For FY2013-14, APPL reported profit after tax (PAT) of Rs.1.05 crore on operating income of Rs.24.78 crore, as compared with PAT of Rs.0.15 crore on operating income of Rs.8.32 crore in FY2012-13. The company's net worth stood at Rs.6.84 crore as on March 31, 2014, as compared with Rs.2.72 crore a year earlier. APPL reported net loss of Rs.2.07 crore (provisional) on operating income of Rs.24.57 crore (provisional) during April 2014 to January 2015. The company's net worth stood at Rs.13.50 crore (provisional) as on January 31, 2015.

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