

April 16, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB/Stable (Assigned)
Term Loan (proposed)	12.00	SMERA BB/Stable (Assigned)
Letter of Credit (proposed)	2.00	SMERA A4+ (Assigned)
Bank Guarantee (proposed)	3.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.21.00 crore bank facilities of Baroque Pharmaceuticals Private Limited (BPPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and healthy financial risk profile. The ratings are also supported by the company's diversified product profile. However, the ratings are constrained by the company's small-scale operations in an intensely competitive segment of the pharmaceutical industry. The ratings factor in risks related to the company's debt-funded capex. The ratings are also constrained by the susceptibility of the company's profit margins to forex fluctuation risk.

BPPL, incorporated in 1994, is a Gujarat-based company engaged in manufacturing and export of generic formulations. BPPL benefits from its experienced management. The promoters of the company have around 20 years of experience in the pharmaceutical industry. BPPL's healthy financial risk profile is reflected in low gearing (debt-equity ratio) of 0.41 times as on March 31, 2014, strong interest coverage ratio of 7.23 times and comfortable debt service coverage ratio (DSCR) of 6.05 times in FY2013-14 (refers to financial year April, 01 to March, 31). The company manufactures a wide range of formulations of antibiotics, antimicrobials, antifungals and gastrointestinals.

BPPL has small-scale operations with revenue of Rs.22.82 crore in FY2013-14. The company plans to undertake capex of Rs.17.00 crore towards setting up a new factory unit. The project is likely to be funded through debt of Rs.12.00 crore and promoters' funds of ~Rs.5.00 crore. SMERA believes BPPL's financial profile may deteriorate on account of the capex. BPPL operates in an intensely competitive segment of the pharmaceutical industry. The company's profit margins are susceptible to forex fluctuation risk.

Outlook: Stable

SMERA believes BPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than-expected revenues and profit margins, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded capex or working capital requirements.

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About the company

BPPL, incorporated in 1994, is a Gujarat-based company promoted by Mr. J. D. Patel, Mr. P. J. Patel, Mr. J. M. Patel and Mr. L Saraswat. BPPL is engaged in manufacturing and export of generic formulations. The company derives ~50 per cent of its revenues from exports to Latin America and Africa.

For FY2013-14, BPPL reported profit after tax (PAT) of Rs.1.21 crore on total income of Rs.22.82 crore, as compared with PAT of Rs.0.66 crore on total income of Rs.14.55 crore in FY2012-13. The company's net worth stood at Rs.6.23 crore as on March 31, 2014, as compared with Rs.5.03 crore a year earlier.

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