

May 08, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit*</b>	<b>3.00</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Term Loan</b>	<b>0.22</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>FDBN/FDBP/FDBD</b>	<b>3.50</b>	<b>SMERA A4+ (Assigned)</b>
<b>Letter of Credit</b>	<b>10.00</b>	<b>SMERA A4+ (Assigned)</b>
<b>Bank Guarantee</b>	<b>0.05</b>	<b>SMERA A4+ (Assigned)</b>

\*Interchangeable with Packing Credit Limit

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as SMERA double B plus) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the abovementioned bank facilities of Adani Pharmachem Private Limited (APPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, comfortable financial risk profile and efficient working capital management. However, the ratings are constrained by the company's moderate-scale operations in an intensely competitive segment of the pharmaceutical industry. The ratings note that the company's profit margins are susceptible to raw material price volatility and forex fluctuation risk.

APPL, established in 1981, is a Rajkot-based company engaged in manufacturing and export of pharmaceutical bulk drugs and fine chemicals. APPL benefits from its experienced management. Mr. Harshad Adani, director of APPL, has around three decades of experience in the company's line of business. APPL's comfortable financial risk profile is marked by low gearing of 0.50 times as on March 31, 2014 (considering unsecured loan as quasi-equity) and healthy interest coverage of 4.15 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's efficient working capital management is reflected in working capital cycle of 57 days in FY2013-14. APPL's cash credit utilisation was moderate at ~70 per cent during the six months ended February 2015.

APPL has moderate-scale operations marked by operating income of Rs.49.88 crore in FY2013-14. The company faces intense competition from several players in the pharmaceutical industry. APPL's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates.

### 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 and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue while achieving sustained improvement in profit margins. The outlook may be revised to

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'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 was established as a partnership concern (named Adani Pharmachem) in 1981. The firm was converted into a private limited company in 1999. APPL undertakes manufacturing and export of pharmaceutical bulk drugs and fine chemicals. The company derives ~50 per cent of its revenue from exports to Vietnam, Indonesia, Brazil and Africa. APPL has a manufacturing unit in Rajkot, Gujarat.

For FY2013-14, APPL reported net profit of Rs.1.05 crore on operating income of Rs.49.88 crore, as compared with net profit of Rs.1.42 crore on operating income of Rs.58.46 crore in FY2012-13. The company's net worth stood at Rs.7.59 crore (considering unsecured loan of Rs.1.98 crore as quasi-equity) as on March 31, 2014, as compared with Rs.5.96 crore (considering unsecured loan of Rs.1.71 crore as quasi-equity) a year earlier.

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