

May 19, 2016

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit*</b>	<b>3.50</b>	<b>SMERA BB+/Stable (Reaffirmed; (Enhanced from Rs. 3.00 crore)</b>
<b>Term Loan</b>	<b>0.22</b>	<b>SMERA BB+/Stable (Reaffirmed)</b>
<b>Term Loan</b>	<b>0.17</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>FDBN/FDBP/FDBD</b>	<b>3.50</b>	<b>SMERA A4+ (Reaffirmed)</b>
<b>Letter of Credit</b>	<b>10.00</b>	<b>SMERA A4+ (Reaffirmed)</b>
<b>Bank Guarantee</b>	<b>0.05</b>	<b>SMERA A4+ (Reaffirmed)</b>

\*Interchangeable with Packing Credit Limit

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (read as SMERA double B plus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.16.77 crore bank facilities and assigned long term rating of '**SMERA BB+**' (read as SMERA double B plus) on the Rs.0.67 crore bank facilities of Adani Pharmachem Private Limited (APPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the experienced management, comfortable financial risk profile and efficient working capital management. However the ratings are constrained by the company's moderate-scale of operations in an intensely competitive segment of the pharmaceutical industry. The ratings note that the profit margins are susceptible to raw material price volatility and forex fluctuation risk.

## Updates

APPL's revenues increased marginally in FY2015 at Rs.53.99 crore compared to Rs.49.88 crore in FY2014. Further operating margins have improved in FY2015 at 5.50 per cent compared to 4.90 per cent in FY2014. The financial risk profile remained comfortable with debt to equity ratio at 0.25 times as on March 31, 2015 (considering unsecured loan as quasi-equity) and the interest coverage ratio at 4.25 times for FY2015. APPL's working capital cycle stood comfortable at 58 days in FY2015.

## Rating Sensitivity Factors

- Sustainable and substantial increase in revenues
- Sustenance of existing financial risk profile with healthy capital structure

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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 and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company registers substantial growth in revenue while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the profit margins, or deterioration in the financial risk profile or working capital management.

**About the Company**

APPL (the erstwhile Adani Pharmachem), established in 1981 was converted into a private limited company in 1999. The company undertakes manufacturing and export of bulk drugs and fine chemicals. It derives ~50 per cent of its revenue from exports to Vietnam, Indonesia, Brazil among others. The company's manufacturing unit is located at Rajkot, Gujarat.

For FY2014–15, APPL reported profit after tax (PAT) of Rs.1.17 crore on operating income of Rs.53.99 crore, as compared with PAT of Rs.1.05 crore on operating income of Rs.49.88 crore in FY2013–14.

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