

Press Release

Adani Pharmachem Private Limited

06 September, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 17.44 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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. 17.44 crore bank facilities of Adani Pharmachem Private Limited. The outlook is '**Stable**'.

APPL (the erstwhile Adani Pharmachem), was established in 1981. The company undertakes manufacturing and export of bulk drugs and fine chemicals. It derives ~37 per cent revenue from exports to Germany, Europe, Vietnam, Brazil among others. The manufacturing unit is located at Rajkot, Gujarat.

Key Rating Drivers

Strengths

- **Experienced management:**

The promoters, Mr. Rishabh Adani, Mr. Harshad Adani and Ms. Nirali Adani have more than two decades of experience in the pharmaceutical industry.

- **Moderate financial risk profile:**

APPL has moderate financial risk profile marked by networth of Rs. 9.93 crore as on 31 March, 2016 as against 8.96 crore as on 31 March, 2015. The networth includes unsecured loans of Rs. 1.96 crore considered as quasi equity as it is subordinated to bank debt. The gearing (debt to equity ratio) stood at 0.18 times as on 31 March, 2016 as against 0.25 times in the previous year. The interest coverage ratio (ICR) improved to 6.56 times in FY2016 from 4.25 times in FY2015. The net cash accruals to total debt (NCA/TD) stood at 0.93 times in FY2016 as against 0.75 times in FY2015. SMERA expects the financial risk profile to remain moderate over the medium term.

- **Moderate working capital management:**

The working capital management stood moderate with gross current assets (GCA) of 91 days in FY2016 as against 123 days in FY2015 mainly on account of high debtors of 68 days in FY2016 as against 85 days in FY2015. The average cash credit limit utilisation has been lower than 5 per cent in the last six months ended June 2017. SMERA expects the working capital cycle to remain moderate in the medium term with no major policy change expected.

Weaknesses

- **Moderate scale of operations and profitability:**

APPL's scale of operations is moderate with operating income of Rs. 56.21 crore in FY2017 (Provisional) as against Rs. 53.64 crore in FY2016. The operating margins improved to 5.95 per cent in FY2017(Provisional) from 4.76 per cent in FY2016.

• **Susceptibility to fluctuations in raw material prices:**

The profitability is susceptible to volatility in raw material prices. APPL's major raw materials are derivative cured products.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that APPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue with improved profitability while maintaining its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or elongation in the working capital cycle or financial risk profile.

About the Rated Entity - Key Financials

The company reported Profit after Tax (PAT) of Rs 1.19 crore against operating income of Rs.53.64 crore in FY2016, compared to PAT of Rs.1.17 crore on operating income of Rs. 53.99 crore in FY2015. The net worth stood at Rs. 9.93 crore as on 31 March, 2016 against Rs. 8.96 crore a year earlier.

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

None

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-May, 2016	Cash Credit#	Long Term	INR 3.5	SMERA BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.22	SMERA BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.17	SMERA BB+ / Stable (Assigned)
	Post Shipment Credit	Short Term	INR 3.5	SMERA A4+ (Reaffirmed)
	Letter of Credit	Short Term	INR 10	SMERA A4+ (Reaffirmed)

	Bank Guarantee	Short Term	INR 0.05	SMERA A4+ (Reaffirmed)
08-May, 2015	Cash Credit#	Long Term	INR 3	SMERA BB+ / Stable (Assigned)
	Term Loan	Long Term	INR 0.22	SMERA BB+ / Stable (Assigned)
	Post Shipment Credit	Short Term	INR 3.5	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	INR 10	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	INR 0.05	SMERA A4+ (Assigned)

Interchangeable with Packing Credit Limit

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	March, 2018	0.22	SMERA BB+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	June, 2018	0.17	SMERA BB+ / Stable (Reaffirmed)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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