

May 29, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BBB/Stable (Assigned)
Over Draft	3.00	SMERA BBB/Stable (Assigned)
Term Loan	6.06	SMERA BBB/Stable (Assigned)
Letter of Credit	5.00	SMERA A3+ (Assigned)
Import Letter of Credit	5.00	SMERA A3+ (Assigned)
Shipping Guarantee	0.50	SMERA A3+ (Assigned)
Forward Contracts	0.50	SMERA A3+ (Assigned)
Proposed Fund Based Facility	0.94	SMERA A3+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB**' (read as SMERA triple B) and a short-term rating of '**SMERA A3+**' (read as SMERA A three plus) to the abovementioned bank facilities of Optimus Drugs Private Limited (ODPL). The outlook is '**Stable**'. The ratings draw comfort from the company's established operations, reputed clientele and experienced management. The ratings are also supported by the company's healthy revenue growth and strong financial profile. However, the ratings are constrained by the susceptibility of the company's profit margins to fluctuations in forex rates and volatility in raw material prices.

ODPL, incorporated in 2003, is a Hyderabad-based company engaged in manufacturing of bulk drugs and intermediaries. ODPL caters to several reputed customers such as Lupin Limited, Dr. Reddy's Laboratories Limited, Glenmark Pharmaceuticals Limited and Macleods Pharmaceuticals Limited. ODPL benefits from its experienced management. The directors of the company have around two decades of experience in the pharmaceutical sector. ODPL has registered healthy revenue growth of ~85 per cent (compound annual growth rating) during FY2009-10 to FY2013-14. The company's strong financial profile is reflected in comfortable gearing (debt-equity ratio) of 1.03 times as on March 31, 2014 and healthy debt service coverage ratio of 4.47 times in FY2013-14.

ODPL's profit margins are susceptible to forex fluctuation risk inherent in unhedged export sales, which account for ~25 per cent of the total operating income. The company's profit margins are also exposed to volatility in raw material prices.

Outlook: Stable

SMERA believes ODPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with clients. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. The outlook may be revised to 'Negative' in case the company reports lower-than-expected revenues and profit margins, or in case of deterioration in the company's capital structure.

About the company

ODPL, incorporated in 2003, is a Hyderabad-based company engaged in manufacturing of bulk drugs and intermediaries. ODPL caters to customers in the domestic and international markets. The company has a manufacturing unit in Nalgonda (Telangana), with installed capacity of 77 metric tonnes per day.

For FY2013-14, ODPL reported profit after tax (PAT) of Rs.2.99 crore on operating income of Rs.108.50 crore, as compared with PAT of Rs.2.10 crore on operating income of Rs.76.88 crore in FY2012-13. The company's net worth stood at Rs.17.65 crore as on March 31, 2014, as compared with Rs.11.68 crore a year earlier. ODPL registered profit before tax of Rs.6.95 crore (provisional) on operating income of Rs.152.23 crore (provisional) in FY2014-15.

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