

Optimus Drugs Private Limited: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BBB+/Positive (Upgraded from BBB/Stable)
Term Loan	1.50 (revised from 6.06)	SMERA BBB+/Positive (Upgraded from BBB/Stable)
Cash Credit	7.00	SMERA BBB+/Positive (Assigned)
Import Letter of Credit	5.00	SMERA A2 (Upgraded from A3+)
Forward Contract	0.50	SMERA A2 (Upgraded from A3+)
Letter of Credit	7.00	SMERA A2 (Assigned)
Overdraft	3.00	SMERA BBB+/Positive (Upgraded from SMERA BBB/Stable; Withdrawn)
Letter of Credit	5.00	SMERA A2 (Upgraded from SMERA A3+; Withdrawn)
Shipping Guarantee	0.50	SMERA A2 (Upgraded from SMERA A3+; Withdrawn)

SMERA has upgraded the ratings on the abovementioned bank facilities of Optimus Drugs Private Limited to **'SMERA BBB+' (read as SMERA triple B plus)** from 'SMERA BBB' (read as SMERA triple B) and **'SMERA A2' (read as SMERA A two)** from 'SMERA A3+' (read as SMERA A three plus). SMERA has also assigned a long term rating of **'SMERA BBB+ (read as SMERA triple B plus)** to the Rs.7.00 crore long term bank facilities and short term rating of **'SMERA A2' (read as SMERA A two)** to the Rs.7.00 crore short term bank facilities. The outlook is revised to **'Positive'**. Further, SMERA has withdrawn the ratings of 'SMERA BBB+/Positive/A2' on the Rs.8.50 crore bank facilities of ODPL since there are no dues outstanding as confirmed by the banker.

The rating upgrade is in view of the improvement in the business risk profile marked by healthy revenue growth and improved operating margins.

The ratings continue to draw comfort from the company's experienced management, established market position and reputed clientele. The ratings also derive support from the healthy financial risk profile and comfortable liquidity position. However the ratings are constrained by the susceptibility of profit margins to fluctuations in raw material prices.

Update

ODPL reported profit after tax (PAT) of Rs.14.50 crore on operating income of Rs.265.33 crore for FY2015-16 (Provisional) as compared to PAT of Rs.6.65 crore on operating income of Rs.154.11 for FY2014-15. The operating profit margins have improved to 9.46 per cent in FY2015-16 (provisional) as against operating margin of 6.39 percent in FY2014-15. The improvement in profitability is on account of increase in exports in FY2015-16. The capacity utilisation is moderate at around 70 per cent. SMERA expects the revenue to be robust in the medium term owing to spare capacity and increased export orders. ODPL's financial risk profile is robust as marked by gearing which has improved from 0.58 times as on March 31, 2015 to 0.34 times as on March 31, 2016. The interest coverage ratio is healthy at 8.81 times in FY2015-16 compared to 6.25 times in FY2014-15. SMERA believes that the company will sustain improvement in its financial risk profile over the medium term owing to consistent growth in its net worth.

Rating Sensitivity Factors

- Scaling up operations while maintaining the improved profitability
- Efficient working capital management

Outlook - Positive

SMERA believes that the outlook on ODPL's rated facilities is 'Positive' over the medium term. The ratings may be upgraded if the company registers higher-than-expected growth in revenues while maintaining the improved profitability. Conversely, the outlook may be revised to 'Stable' in case of lower-than-expected growth in revenues and decline in profitability or deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

Incorporated in 2003, ODPL is a Hyderabad-based company engaged in the manufacture of bulk drugs and intermediaries at Nalgonda, Telangana. The capacity varies from product-to-product and the average installed capacity is about 130 metrics tonnes per year. The company caters to the domestic and international markets.

Rating History

Date	Facilities	Amount (Rs.Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
29 May, 2015	Cash Credit	5.00	SMERA BBB (Assigned)	-	Stable
	Over Draft	3.00	SMERA BBB (Assigned)	-	Stable
	Term Loan	6.06	SMERA BBB (Assigned)	-	Stable
	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 Contract	0.50	-	SMERA A3+ (Assigned)	-
	Proposed Fund Based Facility	0.94	-	SMERA A3+ (Assigned)	-



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ABOUT SMERA

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