



Gnosis Pharmaceuticals Private Limited (Gnosis)

*Rating
Rationale*

December 24, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.00	SMERA BB/Stable (Assigned)
Term Loan	1.68	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the aforementioned bank facilities of Gnosis Pharmaceuticals Private Limited (Gnosis). The outlook is '**Stable**'. The rating is supported by an experienced management and moderate financial risk profile. However, the rating is constrained by the company's modest scale of operations and low profitability. The rating is also constrained by the working capital intensive operations and competitive nature of the pharmaceutical formulations industry.

Outlook: Stable

SMERA believes that Gnosis will continue to benefit over the medium term, on account of the experienced management and healthy relations with customers and suppliers. The outlook may be revised to 'Positive' if the company reports higher than expected revenues and profitability or prudent working capital management. Conversely, the outlook may be revised to 'Negative', in case of deterioration of financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improvement in working capital cycle

About the Company

The Himachal Pradesh-based, Gnosis incorporated in 2005 by Mr. Ramesh Khurana manufactures pharmaceutical formulations and also undertakes contract manufacturing for companies such as Glowderma Lab Pvt Ltd, Micro Labs and Curosis Healthcare Pvt Ltd. The company has its manufacturing facilities at Sirmour, Himachal Pradesh.

For FY2014-15, the company reported profit after tax (PAT) of Rs. (0.03) crore on operating income of Rs.32.21 crore, as compared with PAT of Rs.0.19 crore on operating income of Rs.27.60 crore in FY2013-14. The net worth stood at Rs.6.20 crore as on March 31, 2015 against Rs.6.23 crore a year earlier.

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