

Press Release

Centurion Laboratories Private Limited (CLPL)

06 March, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 19.18 Cr.
Long Term Rating	SMERA BB+/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Assigned)

*Refer annexure for details

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and assigned short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs 19.18 crore bank facilities of Centurion Laboratories Private Limited (CLPL). The outlook is '**Stable**'.

CLPL was incorporated in December 2006. The company has a production capacity of 840 crore tablets and 270 crore capsules per annum. The plant manufactures tablets between 10 and 100 mg. The company is promoted by Mr. Dhruval Patel and Mr. Ambalal Patel who have more than 20 years' experience in the pharmaceutical industry. It commenced commercial operations in 2014 and caters to export customers.

Analytical approach:

For arriving at the rating, SMERA has taken a consolidated view on the business and financial risk profile of Centurion Remedies Private Limited and Centurion Laboratories Private Limited. The aforementioned entities are collectively referred to as the Centurion Group. The consolidation is in view of the companies' similar business model, common management and business and financial synergies.

Key rating drivers

Strengths

Experienced management and established track record of operations

Centurion Group was promoted by Mr. Dhruval Patel and Mr. Ambalal Patel. The promoters have more than 20 years' experience in the pharmaceutical industry. This experience has helped the group to establish long lasting relationship with its suppliers and customers.

Average Financial Risk Profile

Centurion Group has an average financial risk profile marked by a net worth of Rs 17.57 in FY 2017 as against Rs 15.98 crore in FY 2017. The gearing improved to 1.26 times in FY 2017 as against 1.61 times in FY 2016. The Interest Coverage Ratio stood at a healthy 4.69 times in FY 2017 as against 3.81 times in FY 2016. Going forward, SMERA expects the company to maintain its financial risk profile and improve its net worth in the absence of any major debt funded capex plan.

Weaknesses

Working Capital Intensive operations and stretched liquidity

The working capital operations of Centurion group are intensive marked by high Gross Current Assets (GCA) days of 154 days in FY 2017 as against 161 in FY 2016. The GCA days are mainly dominated by high debtor days 70 in FY 2017 as against 93 days in FY 2016. Further the Cash credit facilities were completely utilized. The current ratio stood at 0.90 times in FY 2017 as against 1.09 times in FY 2016.

Highly regulated and competitive nature of the Pharma sector

All the products and companies in the pharmaceutical industry are regulated by several policies and bodies in terms of quality control, safety and health standards, and several other certifications and control standards. Any changes or regulations by the regulatory bodies may hamper the business of entities prevailing in the industry. Further, the company faces intense competition from large players present in the industry.

Exposure to foreign exchange fluctuations:

The group imports~15% of its raw material requirements. CRPL exports 58.5% of its sales to countries like Philippines, Kenya, China and Sri Lanka whereas CLPL exports 97% of its sales to countries like Philippines, Kenya, China and Sri Lanka. The group is thus exposed to foreign exchange fluctuation risk in the absence of any hedging mechanism.

Outlook – Stable

SMERA believes that Centurion will continue to benefit over the medium term on account of the company's established presence in the formulation industry and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and cash accruals while demonstrating improvement in the working capital cycle. Conversely, the outlook may be revised to negative in case the company's business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than- expected net cash accruals leading to significant stretch in the company's working capital cycle.

About the Group

Centurion Group comprises of two companies Viz. Centurion Remedies Private limited and Centurion Laboratories Private Limited. Centurion Remedies Private Limited is a Baroda-based entity, incorporated in April 2003. CRPL is engaged in contract manufacturing of branded generic formulations for merchant exporters, domestic formulators and state level government bodies. CRPL was promoted by Mr. Ambalal V. Patel who established the entity as a proprietorship firm in 1986, following which it was converted in to a private limited company.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	118.23	140.23	93.40
EBITDA	Rs. Cr.	8.24	9.36	8.17
PAT	Rs. Cr.	1.56	2.25	0.31
EBITDA Margin	(%)	6.97	6.67	8.74
PAT Margin	(%)	1.32	1.60	(0.43)
ROCE	(%)	10.18	14.19	9.27
Total Debt/Tangible Net Worth	Times	1.17	1.59	1.56
PBDIT/Interest	Times	4.69	3.81	2.88
Total Debt/PBDIT	Times	3.88	4.70	4.13
Gross Current Assets (Days)	Days	154	161	166

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>

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

None

Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Dec-2017	Cash credit	Long Term	2.00	SMERA BB+/ (Indicative)
	Term Loan	Long Term	10.68	SMERA BB+/ (Indicative)
	Term Loan	Long Term	4.50	SMERA BB+/ (Indicative)

	Letter of Credit	Short Term	2.00	SMERA A4+/ (Indicative)
29-Aug-2016	Cash credit	Long Term	2.00	SMERA BB+/ / Stable (Assigned)
	Term Loan	Long Term	10.68	SMERA BB+/ /Stable (Assigned)
	Term Loan	Long Term	4.50	SMERA BB+/ /Stable (Assigned)
	Letter of Credit	Short Term	2.00	SMERA A4+/ (Assigned)

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	5.00 (Enhanced from Rs. 2.00 crore)	SMERA BB+/ Stable (Reaffirmed)
Term Loan 1	Not Applicable	Not Applicable	Not Applicable	4.02	SMERA BB+/ Stable (Reaffirmed)
Term Loan 2	Not Applicable	Not Applicable	Not Applicable	2.78	SMERA BB+/ Stable (Reaffirmed)
Term Loan 3	Not Applicable	Not Applicable	Not Applicable	2.08	SMERA BB+/ Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA BB+/ Stable (Assigned)
Letter of Credit/Buyer's Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+ (Assigned)

Contacts:

Analytical	Rating Desk
------------	-------------

Suman Chowdhury
President - SMERA Bond Ratings
Tel: 022-67141107
suman.chowdhury@smera.in

Varsha Bist
Sr. Executive
Tel: 022-67141160
Email: varsha.bist@smera.in

AmoghKharkar,
Rating Analyst,
Tel: +91-22-6714 1315
amogh.kharkar@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.