

Alekhya Drugs Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	7.00	SMERA B/Stable (Assigned)
Letter of Credit	4.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** on the Rs.7.00 crore long term bank facility and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.4.00 crore short term bank facility of Alekhya Drugs Private Limited (ADPL). The outlook is **'Stable'**.

The ratings are constrained by the Y-O-Y declining revenues, working capital intensive operations, low net profit margin and intense market competition in the fragmented pharmaceutical industry. However, the ratings draw support from the experienced management and established relations with reputed clients.

ADPL manufactures intermediates and drugs. The company's revenues declined Y-O-Y to Rs.24.51 crore in FY2016 from Rs.33.51 crore in FY2015 and Rs.38.43 crore in FY2014 due to decrease in production capacity. The declining revenues have affected the profit margins as well which stand at 0.05 per cent in FY2016 against 0.23 percent in FY2015. ADPL has working capital cycle of 96 days in FY2016 which has deteriorated from 41 days in FY2015 mainly due to increase in the inventory cycle which stood at 153 days in FY2016 as compared to 113 days in FY2016. The rating is also constrained by the intense market competition.

ADPL, established in 2008, caters to renowned players in the pharma industry. The Directors, Mrs. Ratna Kumari Kotti and Mr. Umeshwara Rao Kotte possess almost a decades experience in the aforementioned line of business. Some of the reputed clients include Dr. Reddy's, Sun Pharma, Cipla, Intas Pharma, Johnson & Johnson to name a few.

Rating Sensitivity Factors

- Increase in scale of operations and improvement in profitability
- Efficient working capital management

Outlook – Stable

SMERA believes that ADPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing entities

About the Company

ADPL, established in 2008 by Mrs. Ratna Kumari Kotti and Mr. Umeswara Rao Kotte manufactures intermediates and drugs at Hyderabad. The installed capacity is 100 mt per month.

For FY2016, ADPL reported profit after tax (PAT) of Rs 0.01 crore on operating income of Rs.24.51 crore as compared with PAT of Rs.0.08 crore on operating income of Rs.33.51 crore in the previous year.

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ABOUT SMERA

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