

Press Release

02 March, 2017

Genlink Pharma Solutions Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.25.00 Cr
Long Term Rating	SMERA BB-/Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) on the Rs. 25.00 crore Instruments of Genlink Pharma Solutions Private Limited. The outlook is '**Stable**'.

Genlink Pharma Solutions Private Limited (Genlink Pharma), incorporated in 2016 by Mr. Anand Shah and Mr. Susheel Koul (Directors), is an investment company that plans to raise funds by issuing NCDs to gain majority shareholding in Enaltec Labs Private Limited (Investee Company).

Key Rating Drivers

Strengths

- **Experienced management**

Genlink Pharma, incorporated in 2016 was promoted by Mr. Anand Shah and Mr. Susheel Koul who possess extensive experience in the pharma industry.

- **Healthy business and financial risk profile**

ELPL, incorporated in 2006 manufactures Active Pharmaceutical Ingredients (API). These include anti-inflammatory, anticonvulsant, antihistaminic, antihypertensive among others. The company undertakes both contract research and manufacturing to meet the API needs of pharmaceutical and bulk drugs manufacturers. The manufacturing facilities are located in Mumbai, Nasik and Bidar in Karnataka. ELPL registered operating income growth rate at a CAGR of 14.04 percent from FY2014-16. However, ELPL's operating income has shown slow growth rate of 2.19 percent in FY2016 as compared to the previous year as the company operates on full capacity. The operating income stood at Rs.172.44 cr in FY2016 as compared to Rs.168.75 cr in FY2015. The company plans to enhance manufacturing capacity in FY2017-18. The operating margins declined from 17.08 percent in FY2015 to 8.41 percent in FY2016 as formulations, which generates 60-70 percent gross margins, declined from Rs.40.00 crore in FY2014 and Rs.35.00 crore in FY2015 to Rs.25.00 crore in FY2016. API sales generated around 35 percent gross margins. As informed by the management, the company expects to book revenues of Rs.175.00 cr in FY2017 and Rs.200 cr in FY2018. ELPL's financial risk profile is above average marked by high net worth of Rs.55.63 cr as on 31 March 2016. The NCDs proceeds of Rs.25.00 cr from Genlink Pharma will be used to acquire majority shareholding in ELPL. Apart from NCD proceeds, ELPL will also raise equity worth Rs.30.00 cr in FY2017 from foreign investors to fund the capex of its Ambernath unit. Also, the capex is funded by a term loan to the tune of Rs.6.00 cr. The total project cost at the Ambernath unit is Rs.40.00 cr. ELPL has also acquired an API unit in Indore worth Rs.27.20 cr which is partly funded by a term loan to the tune of Rs.20.00 cr and partly from promotor's contribution of Rs.7.20 cr. The gearing stood at 0.52 times as on 31 March 2016 as compared to 0.53 times as on 31 March 2015. The ICR stood at 5.93 times in FY2016 as compared to 9.50 times in FY2015. The DSCR stood at 4.11 times in FY2016 as compared to 4.62 times in FY2015.

Weaknesses

- **NCD redemption risk associated with valuation of ELPL**

The tenor of the NCD issued by Genlink Pharma of Rs.25.00 cr, Zero Coupon is 4.50 years. The cash flow at the end of the redemption date will depend upon the liquidity and the valuation of ELPL.

Analytical Approach

SMERA has considered the combined business and financial risk profiles of Genlink Pharma Solutions Private Limited (Genlink Pharma) and Enaltec Labs Private Limited (ELPL) to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook of Genlink Pharma will remain stable and the company will benefit over the medium term owing to its experienced management. The outlook may be revised to Positive in case ELPL registers healthy cash flows and exhibits a strong liquidity position. The outlook may be revised to Negative in case ELPL faces challenges in maintaining its liquidity position.

About the Rated Entity - Key Financials

None

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.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>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Non-convertible Debentures (Proposed)	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BB- / Stable

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ABOUT SMERA

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