

Press Release

Genlink Pharma Solutions Private Limited (GPSPL)

09 March, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Genlink Pharma Solutions Private Limited (GPSPL), incorporated in 2016 by Mr. Anand Shah and Mr. Susheel Koul is an associate company of Enaltec Labs Private Limited (ELPL) and has attained 30 per cent shareholding in ELPL by raising funds through issue of Non-convertible debentures.

Analytical approach:

SMERA has considered the combined business and financial risk profiles of Genlink Pharma Solutions Private Limited (GPSPL) and Enaltec Labs Private Limited (ELPL) herein after referred to as 'Combined entity' to arrive at the rating. The consolidated approach factors in dependence of GPSPL on the cash flows generated by ELPL for redemption of Non-convertible debenture.

Key rating drivers

Strengths

Experienced management:

GPSPL, incorporated in 2016 is promoted by Mr. Anand Shah and Mr. Susheel Koul having extensive experience of more than two decade in the pharma industry.

Healthy Business risk profile:

GPSPL has no operations presently and has invested Rs. 25.00 crore in ELPL which was funded through proceeds of NCDs issued. GPSPL is dependent on ELPL's business and financial risk profile for redemption of NCDs. ELPL, a manufacturer of Active Pharmaceutical Ingredients (API) and has extensive geographical reach with a diversified revenue mix. It generates revenue from API research, API manufacturing and formulation developments and supplies to more than 20 countries. The combined entity has registered an operating income of Rs. 165.22 crore in FY2017 a marginal decline from Rs. 172.44 crore in FY2016. Operating profitability has declined over the years from 17.08 per cent in FY2015 to 7.11 per cent in FY2017. The decline in revenues and profitability is mainly due to decline in revenues from high yield generating formulation business.

Healthy financial risk profile:

The financial risk profile of the combined entity is healthy marked by adequate networth of Rs. 90.05 crore as on 31 March 2017 as against Rs. 55.63 crore as on 31 March 2016. The growth in networth is

mainly due to equity infusion at a premium along with accretion of profits. The gearing stands comfortable at 0.35 times as on 31 March 2017 as against 0.52 times as on 31st March 2016. The debt protection metrics have deteriorated in FY2017 with interest coverage ratio (ICR) of 3.81 times (Previous year: 5.93 times) and Debt service coverage ratio of 2.58 times (previous year: 4.11 times)

Weaknesses

NCD redemption risk associated with valuation of Enaltec Labs Private Limited

The tenure of zero coupon NCD issued by GPSPL of Rs.25.00 crore is 4.50 years. The cash flow at the redemption date will depend upon the liquidity and the valuation of ELPL.

Outlook – Stable

SMERA believes that the outlook of the combined entity 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 the combined entity registers healthy cash flows and exhibits a strong liquidity position. The outlook may be revised to Negative in case of challenges faced by the entity in maintaining its liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	165.40	172.44	168.75
EBITDA	Rs. Cr.	11.73	14.51	28.82
PAT	Rs. Cr.	2.20	6.78	17.80
EBITDA Margin	(%)	7.09	8.41	17.08
PAT Margin	(%)	1.33	3.93	10.55
ROCE	(%)	6.35	13.32	42.17
Total Debt/Tangible Net Worth	Times	0.63	0.52	0.53
PBDIT/Interest	Times	3.63	5.93	9.50
Total Debt/PBDIT	Times	4.79	1.94	0.87
Gross Current Assets (Days)	Days	299	207	200

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Entities in service sector - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
2 March 2017	Proposed Non-convertible debenture	Long Term	25.00	SMERA BB- / Stable (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
Non-convertible debenture	27 March 2017	Not Applicable	27 September 2021	25.00	SMERA BB- / Stable (Reaffirmed)

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