



Press Release
Scott Edil Pharmacia Limited
January 03, 2025
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	108.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	76.18	ACUITE A Stable Upgraded	-
Bank Loan Ratings	17.00	-	ACUITE A1 Assigned
Bank Loan Ratings	35.00	-	ACUITE A1 Upgraded
Total Outstanding Quantum (Rs. Cr)	236.18	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating from 'ACUITE A-' (read as ACUITE A minus) to 'ACUITE A (read as ACUITE A)' on the bank facilities of Rs.76.18 Crore and the short term rating from 'ACUITE A2+' (read as ACUITE A two plus) to 'ACUITE A1' (read as ACUITE A one) on the Rs.35.00 Crore bank facilities of Scott Edil Pharmacia Limited. The outlook is 'Stable'.

Acuite has assigned its the long-term rating of 'ACUITE A' (read as ACUITE Ao) on the bank facilities of Rs.108.00 Crore and the short term rating of 'ACUITE A1' (read as ACUITE A one) on Rs.17.00 Crore bank facilities of Scott Edil Pharmacia Limited. The outlook is 'Stable'.

Rationale for Rating upgrade

The upgrade in the ratings takes into account of the improved business and financial risk profile of the group marked by established & long track record of management, improving scale of operations & profitability, financial risk profile and adequate liquidity profile of the group. The rating further draws comfort from reputed clientele base customers & also caters to government institutions and having presence in more than 20 countries. However, the rating is constrained on the account of intensive working capital operations and higher utilization of working capital limits.

About the Company

Based in Himachal Pradesh, Scott Edil Pharmacia Limited (SEPL) was incorporated in 2003 by Mr. B. K. Agarwal, Mr. Sanjeev Agarwal and Mrs. Vaishali Agarwal. The company manufactures generic medications, as well as pharmaceutical items like injections, syrups, ointments, and eye drops.

About the Group

Scott Edil Group (SEG) comprises of Scott Edil Pharmacia Limited (SEPL) and Scott Edil Advance Research Laboratories and Education Limited (SEARLE). The group is promoted by Mr. B.K. Agarwal, Mr. Sanjeev Agarwal and Mrs. Vaishali Agarwal. The group is engaged in the manufacturing of generic drugs, eye drops, syrups, capsules, tablets and medicinal ointments with its manufacturing facilities at Baddi, Himachal Pradesh. The group markets its products under 485 brands through a pan-India distribution network of authorized distributors and stockiest. SEG also undertakes contract manufacturing for marquee players like Abbott Healthcare Limited, Alembic Pharmaceuticals Limited and Lupin Limited among others and also caters to central government institutions. Further, the group also caters to the export market to countries like Yemen, Turkey, Jordan, Afghanistan, Iran, and Panama, among others.

Unsupported Rating
Not applicable.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken a consolidated view of the financial and business risk profiles of Scott Edil Pharmacia Limited (SEPL) Scott Edil Advance Research Laboratories & Education Limited (SEARLE) together referred as Scott Edil Group (SEG). The consolidation is on account of the common management, similarities in the line of business and presence of significant operational and business synergies.

Key Rating Drivers

Strengths

Established track record of operation and established relationship with its reputed clientele

Scott Edil Group (SEG) was promoted by Mr. B.K. Agarwal who has been associated with the pharmaceutical business for over four decades. Prior to the incorporation of SEG, Mr. B.K. Agarwal and his family was engaged in the retail chain of pharmacies in Punjab region. SEG is present across 24 states in India via a network of distributors and stockiest. The group has wide variety of around 700 generic drug brands in its product portfolio. SEG also caters to a wide range of reputed industrial clients. SEG undertakes contract-manufacturing of both generic and patented drugs for players. Further, the group also caters to state and central government to health departments, public dispensaries, government funded hospitals. and it supplies essential drugs and pharmaceutical combinations to these institutions – both to meet their day-to-day demand and under specific health schemes of the central and state governments. The group is in the process for capital expenditure in both companies for Rs. 70.22 Cr. for expansion of product portfolio. The proposed project is for setting up Ampoules, Pre-Filled Syringes and Vials with Propofol facilities using fully automated advanced technology. Acuité believes that the long operational track record of the group coupled with the extensive experience of the management will continue to benefit the group going forward, resulting in steady growth in the scale of operations.

Business risk profile

Scott Edil Group's operation witnessed improvement which is apparent from growth in revenue from operations by ~24.55% in FY 2024 to Rs. 804.61 Cr. as against Rs. 646.02 Cr. for FY 2023. The operating profit margin of the company improved by 232 bps in FY 24. Operating Profit Margin of group stood at 8.38% in FY 2024 as against 6.06% in FY 2023 likewise the net profit margin of the group increased by 196 bps and stood at 4.03% in FY 2024 as against 2.07% in FY 2023. The increase in revenue & profitability is mainly due to increase in the average price realization per unit. The group has sold less number of units in FY 24, however, increase in the average price realization per unit offset the decline in the units sold which impacted the improvement in the overall revenue of the group. The group has achieved the operating income of Rs. 519.94 crore in H1 FY 24-25 with the net profits of Rs. 27.18 Cr. The group currently has Rs. 170.33 Cr. orders in hand. Acuite believes that going forward, the group will able to improve scale of operations & profitability in near to medium term on the account of better price realizations.

Financial Risk Profile

The group has healthy financial risk profile marked by strong net worth, moderate gearing and healthy coverage indicators. The Total Tangible net worth stood at Rs. 215.96 Cr. as on 31st March 2024 as against Rs. 183.26 Cr. a year earlier. The gearing ratio (debt to equity) is 1.12 times in FY 24 against 0.74 times in FY 23. The deterioration in the ratio is mainly due to additional loans taken for capital expenditure. The total outside liabilities to total debt improved and stood at 1.95 times for FY 24 against 2.07 times in FY 23. Debt protection Metrics i.e. ISCR & DSCR improved & stood at 5.70 times & 2.37 times for FY 24 respectively against 3.62 & 1.70 times for FY 23 respectively. Improvement in coverage ratio is on account of improvement in operating margin and increase in operating income. Going forward coverage indicators are expected to improve in near medium term. ROCE of the group is 15.31% for FY 2024 against 9.76% for FY 23. Acuite believes that the financial risk profile of the group will remain healthy for near to medium term on the account of steady accruals.

Weaknesses

Intense competition and regulated pharmaceutical industry

The group is exposed to intense competition from organized and unorganized players. However, SEG has more than a decade experience and has been able to establish itself in the Indian pharmaceutical industry. Further, SEG is exposed to regulatory risk in the domestic as well as overseas (Middle East, African and European countries) markets. However, the same is mitigated to an extent since the company has been dealing with these countries for more than five years.

Working capital operations

Group has improved yet high working capital requirements as evident from gross current assets (GCA) of 158 days in FY 2024 as compared to 211 days in FY 2023. Intensiveness of working capital is on account of high debtor days and other current assets. Debtor days stood at 85 days in FY 2024 as against 80 days in FY 2023. Inventory days stood same as in last year at 42 days in FY 24. Acuite believes that going forward the working capital

operations of the group will be intensive due to nature of operations of the group.

Rating Sensitivities

- Elongated Working capital operation.
- Movement in Operating income and profitability
- Timely execution of Capital Expenditure

Liquidity Position

Adequate

The group has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Group generated cash accruals of Rs. 40.68 crore for FY 2024 as against debt repayment obligations of Rs. 10.18 crores for the same period. Current Ratio stood at 1.18 times as on 31 March 2024 as against 1.15 times in the previous year. Working capital limits are utilized at ~ 90 per cent during the last six months ended November 2024. Cash and Bank Balances of company stood at Rs 0.62 crores coupled to this group maintains unencumbered fixed deposits of Rs 7.01 crore. The liquidity of the group is expected to improve with group expected to generate cash accruals in the range of Rs. 50-60 Cr. with debt obligation of Rs ~15-20 crore will also support the liquidity of the company.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	804.61	646.02
PAT	Rs. Cr.	32.39	13.37
PAT Margin	(%)	4.03	2.07
Total Debt/Tangible Net Worth	Times	1.12	0.74
PBDIT/Interest	Times	5.70	3.62

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

Not Applicable.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Oct 2023	Working Capital Term Loan	Long Term	0.18	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	44.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.09	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	5.79	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.38	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.40	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.86	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.48	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
14 Jul 2022	Working Capital Demand Loan (WCDL)	Long Term	1.25	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	11.96	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	44.00	ACUITE A- Negative (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3.67	ACUITE A- Negative (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	8.80	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	4.39	ACUITE A- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	1.40	ACUITE A- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	2.73	ACUITE A- Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.48	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	5.50	ACUITE A2+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	44.00	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE A Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.00	Simple	ACUITE A Stable Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1 Upgraded (from ACUITE A2+)
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A1 Upgraded (from ACUITE A2+)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE A1 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.65	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.99	Simple	ACUITE A Stable Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2033	39.79	Simple	ACUITE A Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2033	6.00	Simple	ACUITE A Stable Assigned
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	27 Oct 2027	3.52	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 Feb 2026	1.09	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Nov 2031	1.86	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 Feb 2026	3.09	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 Dec 2026	0.18	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Jan 2028	5.79	Simple	ACUITE A Stable Upgraded (from ACUITE A-)
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Jan 2028	22.21	Simple	ACUITE A Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 Dec 2026	0.87	Simple	ACUITE A Stable Assigned
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 Feb 2026	0.17	Simple	ACUITE A Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Nov 2031	1.97	Simple	ACUITE A Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

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No.	Company name
1	Scott Edil Advance Research Laboratories And Education Limited
2	Scott Edil Pharmacia Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Kartik Arora Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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