

Press Release

Spansules Pharmatech Private Limited

31 August, 2017



Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 10.00 Cr. |
| Long Term Rating | SMERA BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 10.00 crore bank facilities of Spansules Pharmatech Private Limited (SPPL). The outlook is '**Stable**'.

The Hyderabad-based Spansules Pharmatech Private Limited (SPPL), established by Mr. Mr. Guttikonda Venkata Subba Rao and Mrs. Guttikonda manufactures drug pallets. The company has installed capacity of 50000 KG/month.

Key Rating Drivers

Strengths

- **Experienced management**

SPPL was incorporated in 2000 by Mr. Guttikonda Venkata Subba Rao and Mrs. Guttikonda who have more than two decades of experience in the pharma industry.

- **Average financial risk profile**

SPPL's average financial risk profile is marked by moderate debt protection metrics, comfortable gearing and moderate net worth. The interest coverage ratio and DSCR stood at 2.13 times and 2.19 times respectively in FY2017 (Provisional) compared to 2.09 times and 1.89 times respectively in FY2016. The gearing stood comfortable at 0.99 times in FY2017 (Provisional) as against 0.68 times in FY2016. The net worth stood moderate at Rs 6.39 crore in FY2017 (Provisional) an increase from Rs.5.96 crore in FY2016, mainly on account of retention of current year profit. However, going forward SMERA believes that debt protection metrics may deteriorate with the company availing short term working facility of Rs 4.50 crore.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high gross current asset (GCA) days of 274 in FY2017 (Provisional), a decline from 308 days in FY2016. This is mainly due to high inventory and debtor days of 96 and 152 respectively in FY2017 (Provisional) and 123 and 170 days in FY2016. This is mainly due to delay in payments from customers.

- **Competitive and fragmented industry**

The company operates in a highly competitive cashew processing industry with intense competition from several organized and unorganised players which limits the bargaining power of the company.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone financial performance and financial risk profile of SPPL.

Outlook: Stable

SMERA believes that SPSL will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues, profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues, or deterioration in the financial risk profile on account of higher-than- expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported net profit of Rs 0.43 crore on operating income of Rs.29.40 crore, compared with net profit of Rs 0.18 crore on operating income of Rs. 21.98 crore in FY2015-16.

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

NA

Any other information

NA

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>

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. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|--------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 5.50 | SMERA BB- / Stable |
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 4.50 | SMERA BB- / Stable |

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