

Press Release

Azine Healthcare Private Limited

June 10, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE D**' (**read as ACUITE D**) and short term rating to '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE D**' (**read as ACUITE D**) to the Rs. 8.50 crore bank facilities of Azine Healthcare Private Limited (AHPL). The outlook is '**Stable**'.

The rating revision is in view of regular account conduct and timely debt repayment obligation. As per banker's feedback, the account is now regular and there are no overdues as on date.

Azine Healthcare Private Limited (AHPL) incorporated in 2002, is an Ahmedabad-based company promoted by Mr. Shyamsunder Nandkishore Agarwal and Mrs. Rekha Shyamsunder Agarwal. The company is engaged in manufacturing of pharma products such as tablets, capsules, ointments and injectable. The manufacturing units are located at Ahmedabad (Gujarat) and Baddi (Himachal Pradesh) with installed capacity of 20,00,000 units of tablets, 40,000 units of syrups, 20,000 bottles of ointment and 1,00,000 units of ORS per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of KBS to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

AHPL is managed by the director's Mrs. Rekha Shyamsunder Agarwal and Mr. Shyamsunder Nandkishore Agarwal. The promoters possess nearly two decades of experience in this industry.

Acuité believes that AHPL will continue to benefit from its experienced management which will help the company to maintain long standing relations with its customers and suppliers.

Weaknesses

- **Modest scale of operations**

AHPL has modest scale of operations despite having its presence in the industry for more nearly two decades marked by operating income of Rs.19.74 crore in FY2018 as against Rs.15.70 crore in FY2017 and Rs.13.19 crore in FY2016. The company booked revenue of Rs.24.46 crore for FY2019 (Provisional). However, the company's operating margins stood healthy at 8.69 percent in FY2018 as against 8.32 percent in FY2017. The company reported Profit after Tax (PAT) margin of 0.93 percent in FY2018 against negative 0.90 percent in FY2017. The company's operating margins are expected to be in the range of 5-6.5 percent for FY2019 provisional on account of customer concentration of 50 percent to Gujarat Government which generates low margins. Further, increase in raw material cost will also have an impacted on the margins. Acuité believes that the growth in revenue and absence of any capex plans are expected to support the profitability of the company.

- **Working capital intensive operations**

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The company's operations are working capital intensive marked by high Gross Current Assets (GCA) of 198 days in FY2018 as compared to 261 days in FY2017. The GCA days are mainly dominated by high inventory holding of 99 days in FY2018 compared to 125 days in FY2017. The collection period stood high at 87 days in FY2018 compared to 128 days in FY2017. Further, working capital is supported by high creditor days of 101 days in FY2018.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Liquidity position:

The firm has stretched liquidity marked by low net cash accruals as compared to its maturing debt obligations. The firm generated cash accruals of Rs.0.30-1.10 crore during the last three years through 2016-18, while the maturing debt obligations were in the range of Rs.0.43 crore over the same period. The cash accruals are estimated to remain around Rs.0.6-1.45 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.44 crore. The firm maintains cash and bank balances of Rs.0.04 crore as on March 31, 2018. The current ratio stood moderate at 1.47 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to improve to moderate over the medium term on account of no major capex over the medium term.

Outlook: Stable

Acuité believes that AHPL's outlook will remain 'Stable' over the medium term on back of experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.74	15.70	13.19
EBITDA	Rs. Cr.	1.71	1.31	1.80
PAT	Rs. Cr.	0.18	(0.14)	0.01
EBITDA Margin	(%)	8.69	8.32	13.68
PAT Margin	(%)	0.93	(0.90)	0.09
ROCE	(%)	9.22	8.62	8.12
Total Debt/Tangible Net Worth	Times	2.29	3.00	2.71
PBDIT/Interest	Times	1.95	1.53	2.60
Total Debt/PBDIT	Times	4.88	6.99	3.97
Gross Current Assets (Days)	Days	198	261	194

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
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21-Dec-2018	Cash Credit	Long Term	2.50	ACUITE D (Downgraded from ACUITE B+/Stable)
	Term Loan	Long Term	0.85	ACUITE D (Withdrawn)
	Term Loan	Long Term	1.79	ACUITE D (Downgraded from ACUITE B+/Stable)
	Bank Guarantee	Short Term	1.00	ACUITE D (Downgraded from ACUITE A4)
	Letter of Credit	Short Term	1.45	ACUITE D (Downgraded from ACUITE A4)
	Proposed Long Term Loan	Long Term	1.76	ACUITE D (Assigned)
06-Aug-2018	Cash Credit	Long Term	2.50	ACUITE B+ (Indicative)
	Term Loan	Long Term	0.85	ACUITE B+ (Indicative)
	Term Loan	Long Term	2.70	ACUITE B+ (Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Indicative)
	Letter of Credit	Short Term	1.45	ACUITE A4 (Indicative)
11-Sept-2017	Cash Credit	Long Term	2.50	ACUITE B+/ Stable (Assigned)
	Term Loan	Long Term	0.85	ACUITE B+/ Stable (Assigned)
	Term Loan	Long Term	2.70	ACUITE B+/ Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	1.45	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B- / Stable (Upgraded from ACUITE D)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B- / Stable (Upgraded from ACUITE D)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Upgraded from ACUITE D)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.45	ACUITE A4 (Upgraded from ACUITE D)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.05	ACUITE B- / Stable (Upgraded from ACUITE D)

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About Acuité Ratings & Research:

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