

Press Release

AAVKAR DRUGS PRIVATE LIMITED

March 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Crore
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 6.00 crore bank facilities of AAVKAR DRUGS PRIVATE LIMITED (ADPL). The outlook is '**Stable**'.

The Gujarat based ADPL was incorporated in 2016. The company undertakes contract manufacturing of drugs for various players in the pharmaceutical industry. The company is promoted by Mr. Ashwin Ramani who has more than two decades of experience in the industry.

Key rating drivers

Strengths

- **Experienced management**

Mr. Ashwin Ramani, Mr. Vijay Bhesaniya and Mr. Manish Babaria have experience of more than two decades in the pharmaceutical industry.

Weaknesses

- **Initial stage of operations**

The operations are at an initial stage. The company will have to demonstrate optimal capacity utilisation so as to generate cash flows proportionate to its debt obligation.

- **Significant debt obligation**

The gearing is high with a term loan of Rs. 5.00 crore and unsecured loan of Rs. 2.40 crore (Subordinated loan) against equity of Rs. 0.01 crore (will be enhanced to 2.02 crore in FY2018) to finance the project. The principal obligation during FY2018-19 is Rs. 0.70 crore. In the event of suboptimal utilisation or significant buildup, its recoverable will impact the credit profile of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of ADPL to arrive at the rating.

Outlook: Stable

SMERA believes that ADPL will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues and net cash accruals while maintaining better profit margins improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

Not applicable- The company commenced operations in FY2017.

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

Not Applicable

Any other information

None

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	1.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

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