

Press Release

ARIHANTANAM LIFE CARE PRIVATE LIMITED

April 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.70 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.14.70 crore bank facilities of Arihantanam Life Care Private Limited (ALCPL). The outlook is '**Stable**'.

The Gujarat-based ALCPL was established in 2007 as a partnership concern and converted to a private limited company in October 2010. The company is led by promoters Mr. Hasmukh Patel and Mr. Ravindra Kumar Singh. The company manufactures Active Pharmaceutical Ingredients (APIs) used in pharmaceutical products.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have experience of over two decades in API manufacturing and have established long term relations with customers and suppliers.

- **Moderate financial risk profile**

The net worth of the company improved to Rs. 10.01 crore in FY2017 from Rs. 7.18 crore in FY2016. The debt equity stood at 1.39 times in FY2017 and 1.48 times in FY2016. The Interest Coverage Ratio improved to 4.60 times in FY2017 from 3.06 times in FY2016. The Debt Service Coverage Ratio stood at 2.89 times in FY2017 as against 2.17 times in the previous year.

- **Improving operating income and profitability margins**

The operating income increased to Rs. 54.06 crore in FY2017 compared to Rs. 52.25 crore in FY2016 and Rs. 44.87 crore in FY2015 supported by the expansion plans undertaken by the company and steady increase in sales. The PAT margins improved significantly to 5.23 percent in FY2017 from 3.32 per cent in FY2016 and 1.88 per cent in FY2015.

Weaknesses

- **Working capital intensive operations**

The operations are moderately working capital intensive marked by GCA days of 179 for FY2017 as against 181 days for FY2016. However, the debtor days improved to 98 in FY2017 from 147 days in FY2016. The company has utilized around 90.00 per cent of its working capital facility in the last six months ended February 2018.

- **Highly competitive industry**

The company is exposed to intense competition from large number of players in the industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that ALCPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues and profitability. Conversely the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or operating margin.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	54.06	52.25	44.87
EBITDA	Rs. Cr.	6.37	4.78	2.95
PAT	Rs. Cr.	2.83	1.74	0.84
EBITDA Margin	(%)	11.78	9.15	6.56
PAT Margin	(%)	5.23	3.32	1.88
ROCE	(%)	26.52	24.90	31.01
Total Debt/Tangible Net Worth	Times	1.39	1.48	1.92
PBDIT/Interest	Times	4.60	3.06	2.30
Total Debt/PBDIT	Times	2.16	2.21	3.47
Gross Current Assets (Days)	Days	179	181	185

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

None

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	9.00	SMERA BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.25	SMERA A4+

Contacts

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