

Press Release

Flourish Pharma

July 30, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.90 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 9.90 crore bank facilities of Flourish Pharma. The outlook is '**Stable**'.

Established in 2007, Flourish Pharma (FP) is a Daman based partnership firm engaged in manufacturing of ointments, capsules, tablets and liquids on contract basis. The entity has a manufacturing unit located in Daman. The entity also owns and produces around 98 products under various brand names.

Key Rating Drivers

Strengths

• Experienced partners

The firm benefits from the experience of the partners, Mr. Pankil J Shah, Mr. Paresh J Shah and Mr. Tejash J Shah, who have around 15 years of experience in the pharmaceuticals industry. To accentuate the growth, FP has healthy client base spread across the region of Gujarat, with major customers being Gujarat Medical Services Corporation, Glasier Wellness Inc. and Albatross pharma. Established relationship with customers has supported the firm to generate more revenue. In FY2017, the firm generated revenue of Rs.20.01 crore as compared to Rs.18.39 crore in FY2016. For FY2018, Flourish Pharma has reported revenues of Rs.23.61 crore on provisional basis, which is an improvement of around ~18.50 percent over FY2017. Revenue for FY2019 is expected to grow further due to increase in production capacity of the firm in May, 2018.

• Comfortable financial risk profile

The financial risk profile is marked by comfortable gearing and comfortable debt protection metrics though underpinned by low net worth levels. The net worth stood at Rs.4.28 crore as on 31 March, 2018 (Provisional), improved by Rs.0.22 crore as compared to FY2017; it was mainly due to accretion of profit to internal accruals. Gearing is comfortable at 1.50 times (Provisional) as on March 31, 2018 as compared to 0.95 times as on March 31, 2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 2.13 times and 0.16 times respectively for FY2018 (Provisional). Acuite believes that the gearing levels are expected to be at around 1.00 time as the firm is envisaging debt-funded capex to the tune of Rs.4.05 crore funded via term loan of Rs.3.00 crore and rest via partners funds in FY2019.

Weaknesses

• Working capital intensive operations

Flourish Pharma's operations are working capital intensive as evident from Gross Current Assets (GCA) days of 168 as on March 31, 2018 (Provisional). As the quotations are received on monthly basis and payments from customers are received on quarterly basis, the receivable days are high at around 106 days and inventory days are moderate at about 47 as on March 31, 2018 (provisional). Acuite believes that the operations of the firm continue to be working capital intensive due to the high receivable days, especially from government institutions.

• Highly fragmented and competitive industry

The pharmaceutical industry has large number of players which makes this industry highly fragmented and intensely competitive. FP is also a medium size player thereby limiting bargaining power and pricing pressure compared to well-established and larger players.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Flourish Pharma to arrive at this rating.

Outlook: Stable

Acuite believes that the outlook on Flourish Pharma will remain 'Stable' over the medium term on account of the experience of the promoters in the pharmaceutical industry. The outlook may be revised to 'Positive' in case the firm improves its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle due to higher than expected receivable levels or deterioration in capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.01	18.39	10.65
EBITDA	Rs. Cr.	0.83	0.68	0.87
PAT	Rs. Cr.	0.15	0.13	0.14
EBITDA Margin	(%)	4.13	3.69	8.21
PAT Margin	(%)	0.74	0.70	1.35
ROCE	(%)	9.41	9.36	23.00
Total Debt/Tangible Net Worth	Times	0.95	1.15	2.11
PBDIT/Interest	Times	2.00	1.91	1.65
Total Debt/PBDIT	Times	4.33	3.55	4.52
Gross Current Assets (Days)	Days	192	139	276

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A4

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About Acuité Ratings & Research:

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