Press Release

Geno Pharmaceuticals Private Limited

January 05, 2021

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.90 Cr.
Long Term Rating	ACUITE BBB/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs. 9.90 crore bank facilities of Geno Pharmaceuticals Private Limited(GPPL). The outlook is **'Stable'**.

Geno Pharmaceuticals Private Limited (GPPL), is a Goa-based company, incorporated in 1975. GPPL, is an ISO 9001:2008 certified company. The company is engaged in manufacturing of pharmaceutical formulations such as capsules and tablets, liquid orals and ointments. The company sells its products in India (91.00 percent of total sales) and exports (9.00 percent of total sales) to countries such as Kenya, Myanmar, Nigeria, Cambodia, Sri Lanka, and Costa Rica among others. The company is promoted by Mr. Dilip R. Salgaocar and family.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Geno Pharmaceuticals Private Limited (GPPL) to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

  GPPL has established track record and market position as the manufacturer and distributor of formulation dosages comprising tablets, capsules, liquid orals and ointments since 1975. The company is promoted by Mr. Dilip R. Salgaocar and family, who collectively possess industry experience of more three decades. The company is well supported by second line of management team. The extensive experience of promoters and network has established relationships with customers, suppliers. The same is reflected through improvement scale of operations during the last three years ending FY2020. The company has registered operating income of Rs.192.08 crore of FY2020 as against Rs. 181.60 crore in FY2019 and Rs. 169.82 crore in FY2018. The company has registered revenue of Rs. 158.55 crores as on November 2020. Acuité believes that GPPL will benefit from its established position in the pharmaceutical industry, experienced management and established relationships with customers and suppliers.

- **Healthy financial risk profile and debt coverage levels**

  GPPL's financial risk profile is healthy marked by net worth of Rs. 79.65 crore as on 31 March, 2020 as against Rs. 78.67 crore as on 31 March, 2019. The gearing (debt-equity) is at conservative levels and stood at 0.25 times as on 31 March, 2020 as against 0.22 times as on 31 March, 2019. The total debt of Rs. 19.83 crore as on 31 March, 2020 consists of term loan of Rs. 6.40 crore and short term working capital limit of Rs. 13.43 crores. The interest coverage ratio is comfortable and stood at 6.31 times for FY2020 as against 5.53 times for FY2019. Net Cash Accruals to Total Debt stood at 0.31 times for FY2020 as against 0.31 times for FY2019. Total Outside Liabilities to Tangible Net worth stood at 0.79 times for FY2020 as against 0.69 times for FY2019. DSCR stood at 1.29 times for FY2020 as compared to 1.45 times for FY2019. Acuité believes that the financial risk profile will remain healthy, given its moderate debt funded capital expenditure plan and steady net cash accruals.

Weaknesses

- **Uneven margins and regulatory risks**

  The operating margins of the company has improved to 3.03 per cent in FY2020 as against 2.77 per cent in FY2019 and 4.16 per cent in FY2018. PAT margins stood lower at 0.64 percent in FY2020 as against 1.09 percent in FY2019 and 0.47 percent in FY2018. However, margins have remained uneven and fluctuating. The susceptibility in margins has resulted in uneven net cash accruals having impact on overall financial risk profile and liquidity profile of the company. Also, GPPL is exposed to regulatory risk in the domestic market as also in countries to which it exports, i.e. Kenya, Myanmar, Ethiopia, United Kingdom, among others, which constitute ~ 10 per cent to total revenues in FY2020. However, the same is mitigated to an extent since it has been engaging with these customers and countries for the last 30 years.

- **Highly fragmented and competitive industry**

  The pharmaceutical formulations industry has a large number of players, which makes this industry highly fragmented and intensely competitive. GPPL is also a moderate sized player, thereby limiting its bargaining power and pricing pressure compared to well-established and larger players. However, the company's established presence in the domestic market has enabled it to partially offset competitive pressures. Further, it undertakes regular research and development to improve its product offerings and thereby its bargaining power.

Liquidity Position: Adequate

The net cash accruals of the company stood at Rs. 5.10-6.50 crores as against repayment obligation of Rs. 3.80- 4.45 crores over the last three years ending FY2020. The net cash accruals is expected to be in range of Rs.5.50 to 7.00 crores as against repayment obligation of Rs.3.50 to 4.50 crores in FY2021-23. The gross current assets (GCA) day stood elongated to 105 days in FY2020 as against 82 days in FY2019. The Current ratio stands at 1.48 times as on 31st March, 2020 as against 1.57 times in previous year. NCA/TD stood at 0.31 times as on 31st March, 2020 as against 0.37 times in the previous year. The working limit utilization stood low at 17.94 percent for last six months ending November 2020.

Rating Sensitivities

- Improving Scale of operations
- Uneven margins, profitability and net cash accruals
- Elongation in Working capital management.

Outlook: Stable

Acuité believes that GPPL will maintain 'Stable' outlook over the medium term owing to its experienced management and established position in industry. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	192.08	181.60
PAT	Rs. Cr.	1.23	1.98
PAT Margin	(%)	0.64	1.09
Total Debt/Tangible Net Worth	Times	0.25	0.22
PBDIT/Interest	Times	6.31	5.53

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

CRISIL had revised the rating vide its press release dated September 06, 2019 and flagged the rating of GPPL to 'CRISIL B+/CRISILA4' Issuer Not Cooperating category.

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-61.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Oct-2019	Secured Overdraft	Long Term	9.00	ACUITE BBB/Stable (Downgraded from ACUITE BBB+/Stable)
	Bank Guarantee	Short Term	0.90	ACUITE A3+ (Downgraded from ACUITE A2)
16-Aug-2018	Secured Overdraft	Long Term	9.00	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee	Short Term	0.90	ACUITE A2 (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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB/Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A3+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Rupesh Patel Senior Analyst - Rating Operations Tel: 022-49294044 rupesh.patel@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,495 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.