

Press Release

Geno Pharmaceuticals Private Limited

July 22, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.9.90 crore
Long Term Rating	ACUITE BBB (Withdrawn)
Short Term Rating	ACUITE A3+ (Withdrawn)

*Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.9.90 crore bank facilities of Geno Pharmaceuticals Private Limited (GPPL).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

About the rated entity

Geno Pharmaceuticals Private Limited (GPPL), is a Goa-based company, incorporated in 1975. The company is promoted by Mr. Dilip R. Salgaocar and family. 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 and exports to countries such as Kenya, Myanmar, Nigeria, Cambodia, Sri Lanka, and Costa Rica among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of 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 in revenues which stood improving in 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. 219.71 crores as on March 2021 (provisional). 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 March 31, 2020 as against Rs. 78.67 crore as on March 31, 2019. The gearing (debt-equity) is at conservative levels and stood at 0.25 times as on March 31, 2020 as against 0.22 times as on March 31, 2019. The total debt of Rs. 19.83 crore as on March 31, 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. The PAT margins have also remained uneven and fluctuating, which stood lower at 0.64 percent in FY2020 as against 1.09 percent in FY2019 and 0.47 percent in FY2018. The susceptibility in margins has resulted in uneven net cash accruals having impact on overall financial risk 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

Rating Sensitivities

- Improving scale of operations
- Uneven margins, profitability and net cash accruals.
- Any elongation of the working capital cycle.

Material Covenants

None

Liquidity Position: Adequate

The net cash accruals of the company stood at Rs.5.10-Rs.6.50 crores as against repayment obligation of Rs. 3.80- Rs.4.45 crores over last three years ending FY2020. The net cash accrual is expected to be in range of Rs.5.50 to Rs.7.00 crores as against repayment obligation of Rs.3.50 to Rs.4.50 crores in FY2021-23. The gross current assets (GCA) day stood improved at 105 days in FY2020 as against 82 days in FY2019. The Current ratio stands at 1.48 times as on March 31, 2020 as against 1.57 times in previous year. NCA/TD stood at 0.31 times as on March 31, 2020 as against 0.37 times in the previous year. The working limit utilization stood at around 46 percent for last six months ending June 2021.

Outlook: NA

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 has 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.

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
05-Jan-2021	Secured Overdraft	Long Term	9.00	ACUITE BBB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.90	ACUITE A3+ (Reaffirmed)
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 (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A3+ (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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