

Press Release

Vivek Pharmachem India Limited

D-U-N-S® Number: 91-799-7629



February 01, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 62.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 62.00 crore bank facilities of VIVEK PHARMACHEM INDIA LIMITED (VPIL). The outlook is '**Stable**'.

VPIL was established in 1975 as a partnership firm under the name 'Vivek Pharmaceuticals'. Later, the company was converted to Private Limited in 1990 and in 1993, reconstituted to closely held public limited company. VPIL is a Jaipur based company promoted by Mr. Kuldeep Gupta and family. It is engaged in manufacturing of pharmaceutical formulations such as capsules and tablets, liquid orals and ointments. The company sells its products in India. It is ISO 9001:2008 certified company. VPIL is also engaged in power generation. The company has 9 windmills and 1 solar plant having total installed capacity of 14.25 Mega Watt (MW).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of VPIL to arrive at the rating.

Key Rating Drivers

Strengths

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

The promoters collectively possess industry experience of more than three decades. Acuité believes that VPIL will benefit from its established position in the pharmaceutical industry, experienced management and established relationships with customers and suppliers.

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

VPIL's financial risk profile is moderate marked by net worth of Rs.38.29 crore as on 31 March, 2018 as against Rs.32.16 crore as on 31 March, 2017. Acuité has considered unsecured loan of Rs. 10.14 crore as on 31 March, 2018 as a part of net worth as same is subordinated to bank debt. The adjusted gearing (debt-equity) stood comfortable at 1.07 times as on 31 March, 2018 and 1.23 times as on 31 March, 2017. The total debt of Rs.41.06 crore as on 31 March, 2018 consists of term loan of Rs.28.46 crore and short term working capital limit of Rs.12.60 crore. The interest coverage ratio (ICR) is comfortable at 3.59 times for FY2018 as against 2.84 times for FY2017. DSCR stood at 1.44 times for FY2018 as compared to 1.46 times for FY2017. Net Cash Accruals to Total Debt stood at 0.30 times for FY2018. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.44 times for FY2018.

Acuité believes that the financial risk profile will remain moderate in absence of major debt funded capital expenditure plan and steady net cash accruals.

Weaknesses

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive with Gross Current Assets (GCA) of 181 days for FY2018 as against 180 days in the previous year. The stretched GCA days are on account of high debtor days of 109 for FY2018 and 112 for FY2017. The high GCA days are also driven by high amounts of other current assets of Rs.8.21 crore as on 31 March, 2018. However, the liquidity position continues to remain comfortable with average cash credit limit utilisation of ~52 percent for the last six months ended 30 November, 2018. The net cash accruals stood at Rs.12.20 crore for FY2018 as against debt obligation of Rs. 6.65 crore.

- **Highly fragmented and competitive industry**

The pharmaceutical formulations industry has a large number of players which makes this industry highly fragmented and intensely competitive. VPIL 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

VPIL has moderate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.8.27 to 12.20 crore during the last three years through 2016-18, while its maturing debt obligations were in the range of Rs.6.20 to 6.65 crore over the same period. The cash accruals of the company are estimated to remain around Rs.12.45 to 16.18 crore during 2019-21 while its repayment obligation are estimated to be in similar range. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 181 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit in the company remains utilized at ~52 per cent during the last 6 months period ended November 2018. The company maintains unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2018. The current ratio of the company stand moderate at 1.26 times as on March 31, 2018. The company is not likely to incur capex over the medium. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of adequate cash accrual and moderate repayments over the medium term.

Outlook: Stable

Acuite believes that VPIL will maintain a 'Stable' outlook over the medium term owing to its experienced management and improving business profile. The outlook may be revised to 'Positive' in case there is improvement in company's operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	147.79	110.11	99.44
EBITDA	Rs. Cr.	20.85	18.09	15.81
PAT	Rs. Cr.	4.91	4.47	1.46
EBITDA Margin	(%)	14.11	16.43	15.90
PAT Margin	(%)	3.32	4.06	1.46
ROCE	(%)	16.51	12.84	22.07
Total Debt/Tangible Net Worth	Times	1.07	1.23	1.90
PBDIT/Interest	Times	3.59	2.84	2.71
Total Debt/PBDIT	Times	1.92	2.17	2.99
Gross Current Assets (Days)	Days	181	180	154

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	30.00	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	11.64	ACUITE BBB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.36	ACUITE BBB / Stable

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About Acuité Ratings & Research:

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