

## Press Release

Flamingo Pharmaceuticals Limited

December 13, 2022



### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	59.50	ACUITE B+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	60.50	-	ACUITE A4   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	120.00	-	-

### Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.120.00 Cr. bank facilities of Flamingo Pharmaceuticals Limited (FPL).

The rating has been withdrawn on account of the request received from the company, and NOC received from the banker, on acuite's policy of withdrawal of ratings.

### About the Company

Flamingo Pharmaceuticals Limited (FPL) incorporated in 1985 by Mr. Ashwin Thacker, is an export-oriented entity based in Mumbai. It is engaged in manufacturing and export of pharmaceutical formulations and products under its own brands and also on a contract basis. The company caters to the regulated as well as semi-regulated markets with presence in acute therapies such as antibiotics and antipyretic and also in chronic segment such as anti-diabetic and anti-hypertensive.

### Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of FPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Experienced management and presence in multiple segments and products lines

FPL, incorporated in 1985 is a Mumbai based export-oriented pharmaceutical player led by

Mr. Ashwin Thacker with more than 3 decades of experience. FPL has 3 manufacturing facilities certified by USFDA, UKMHRA & WHO-GMP, located in Nanded, Rabale and Taloja. The company caters to regulated, semiregulated and unregulated markets. The company's product line includes tablets, capsules, dry syrups and injectable. The Company's operating income stood at Rs. 171 Cr. till November, 2022.

Acuité believes that FPL will continue to benefit from the company's established presence in multiple markets and multiple product profile, which is also expected to support its business risk profile over the medium term.

- **Moderate financial risk profile**

FPL has a moderate financial risk profile marked by moderate networth, moderate gearing and comfortable debt protection metrics. The tangible networth stood at Rs. 144.05 Cr as on March 31, 2022(Prov.) as against Rs. 140.48 Cr as on March 31, 2021. The company's overall gearing stood at 0.56 times as on March 31, 2022(Prov.) as against 0.52 times as on March 31, 2021. The total debt stood at Rs. 81.24 Cr as on March 31, 2022(Prov.) as against Rs. 72.46 Cr as on March 31, 2021. The Total Outside Liabilities to Tangible Net worth (TOL/TNW) ratio stood at 1.06 times as on March 31, 2022(Prov.) as against 1.14 times as on March 31, 2021. The debt protection metrics of the Company is comfortable marked by interest coverage of 6.38 times as on March 31, 2022(Prov.) as against 6.69 times as on March 31, 2021. The NCA to Total Debt (NCA/TD) stood at 0.43 times for as on March 31, 2022(Prov.) as against 0.77 times as on March 31, 2021. The Debt to EBITDA stood at 1.75 times as on March 31, 2022(Prov.) as against 1.10 times as on March 31, 2021.

Acuité believes FPL's financial risk profile will remain moderate over the medium term

- **Regulatory approved manufacturing facilities**

FPL's manufacturing facilities are certified by multiple major global health authorities such as USFDA, UKMHRA & WHO-GMP. The approvals from these health authorities have global acceptance, whose approvals can help the company to avoid regulatory bottlenecks in major global markets.

Acuité believes that continuous approvals from these authorities will be a key rating sensitivity factor.

## **Weaknesses**

- **Working capital intensive nature of operations**

FPL's operations continue to remain working capital intensive in nature marked by gross current asset (GCA) days of 194 days as on March 31, 2022(Prov.) as against 173 days as on March 31, 2021. The GCA days are driven by high inventory and debtor days. The inventory days stood at 88 days as on March 31, 2022(Prov.) as against 88 days as on March 31, 2021. The debtor days stood at 96 days as on March 31, 2022(Prov.) as against 43 days as on March 31, 2021. However, the company's reliance on bank lines to fund its working capital requirement continues to remain high, marked by average bank limit utilization of its fund based facility of 85-90 percent during the six months ended October, 2022. The creditor days stood at 172 days as on March 31, 2022(Prov.) as against 225 days as on March 31, 2021.

## **Rating Sensitivities**

- Improvement in revenue and profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.
- Changes in approval from USFDA, UKMHRA & WHO-GMP, and receipt of observations from these authorities

### Material covenants

None

### Liquidity Position

#### Adequate

The liquidity of the company is adequate marked by comfortable cash accruals as against debt repayment obligations. FPL generated net cash accruals of Rs. 16- 38 Cr in FY21 and FY22 as against repayment obligations of approx. Rs. 11-27 Cr during the same period . The business of FPL is working capital intensive with gross current asset (GCA) days of around 194 days as on March 31, 2022(Prov.). The average bank limit utilization of its fund based facility for the six months ended October, 2022 stood at ~85-90 percent. The unencumbered cash and bank balance stood at Rs. 0.92 Cr as on March 31, 2022(Prov.). The current ratio was 1.34 times as on March 31, 2022(Prov.).

### Outlook

Not Applicable

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	227.93	226.59
PAT	Rs. Cr.	16.82	38.18
PAT Margin	(%)	7.38	16.85
Total Debt/Tangible Net Worth	Times	0.56	0.52
PBDIT/Interest	Times	6.38	6.69

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 May 2022	Packing Credit	Short Term	5.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	10.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Packing Credit	Short Term	7.50	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	46.73	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bills Discounting	Short Term	10.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.77	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	8.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Packing Credit	Short Term	27.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
03 Mar 2021	Term Loan	Long Term	1.00	ACUITE BB-   Stable (Assigned)
	Term Loan	Long Term	1.77	ACUITE BB-   Stable (Assigned)
	Bills Discounting	Short Term	10.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A4+ (Assigned)
	Packing Credit	Short Term	7.50	ACUITE A4+ (Assigned)
	Term Loan	Long Term	10.00	ACUITE BB-   Stable (Assigned)
	Packing Credit	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long term	46.73	ACUITE BB-   Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Assigned)
	Packing Credit	Short Term	27.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4   Reaffirmed & Withdrawn
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4   Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4   Reaffirmed & Withdrawn
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE A4   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	27.00	ACUITE A4   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	46.73	ACUITE B+   Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE B+   Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE B+   Reaffirmed & Withdrawn
Hero Fincorp Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.77	ACUITE B+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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