

Press Release

Aaquaries Global Industries Limited

December 06, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Issuer Rating (IR)	0.00	ACUITE BBB+ IR Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term issuer rating (IR) of '**ACUITE BBB+**' (read as **ACUITE BBB plus**) to Aaquaries Global Industries Limited (AGIL). The outlook is '**Stable**'.

Reason for rating assigned

The rating takes into consideration the established track record of operations of the group in the manufacturing and trading of API's and intermediates segment. The rating also factors in the improvement in the revenues of the group and its healthy financial risk profile. The Group registered a revenue growth of 53% YOY as its revenues stood at Rs.1281.17 crore in FY2022 as against Rs.839.22 crore in FY2021 and Rs.775.91 crore in FY2020, the growth is driven by overall improvement in demand scenario in the industry. Further, the Group's financial risk profile is debt averse, marked by healthy net-worth, negligible debt and above average debt protection metrics. The Group's total debt stood at Rs.0.67 Cr against a tangible net-worth of Rs. 627.48 Cr as on March 31, 2022. However, the rating is constrained by the working capital intensive nature of operations of the Group and regulatory risks pertaining to the industry. The rating also factors in the risks pertaining to the capital expenditure planned to be undertaken by the Group in the near to medium term to develop a new product and its related infrastructure. The project is estimated to cost Rs.500 Cr and will be fully funded by infusion of additional capital in the business. Going forward, timely completion of the capital expenditure and ability of the Group to restrict elongation of working capital cycle will remain key rating monitorables.

About Company

Incorporated in 2007 by Mr. Rajendra Kamat, Mumbai-based Aaquaries Global Industries Limited (AGIL) is currently owned and operated by Mr. Sameer Talim, who is a close relative of Mr. Kamat, alongwith Mr. Ravi Kumar and Mr. Austin Dsouza. The company is engaged in manufacturing and trading of active pharmaceutical ingredients (API) and Intermediates. The Company mainly caters to anticancer and anti-infective APIs. The manufacturing is undertaken on loan license basis. The Company alongwith its wholly owned subsidiary Aaquaries Global Industries Limited (Dubai) owns 14 registered patents for producing anticancer, pain killers and infective API's.

About the Group

Aaquaries Group consists of Mumbai based Aaquaries Global Industries Limited and Dubai based wholly owned subsidiary Aaquaries Global Industries Limited(Dubai). The two entities are together engaged in manufacturing and trading of APIs and Intermediates and are managed by Mr. Sameer Ramesh Talim, Mr. Ravi Kumar, Mr. Austin Dsouza.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has considered the consolidated approach of Aaquaries Global Industries Limited and its wholly owned subsidiary- Aaquaries Global Industries Limited(Dubai) due to strong operational and financial linkages as well as common management.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Aaquaries Group, under its flagship company AGIL, commenced operations in the year 2007 reflecting an established track record of operations for more than one decade. The group is managed by Mr. Sameer Talim, who has more than 10 years of experience in the pharmaceuticals business. The Group has 14 registered patents under its name for producing anti-cancer, painkillers and infective API's. The day to day operations of the group are managed by the experienced senior management team who are ably supported by a strong line of mid-level managers. The extensive experience of the promoters has helped the group to establish long and healthy relationships with its customers and suppliers over the years.

Acuité believes that AG will continue to benefit from its experienced management and long track record of operations over the medium term.

Stable operating performance

The Group registered a revenue growth of 53% YOY as its revenues stood at Rs.1281.17 crore in FY2022 as against Rs.839.22 crore in FY2021 and Rs.775.91 crore in FY2020. The increase in the revenue of the group is driven by an overall growth of demand in the industry. As per various industry reports, the Indian API industry is expected to grow at a compounded annual growth rate of 9.6 percent during the calendar period 2021-26. The revenue of the group stood at Rs.787 crores till September 2022. The operating profit margin has increased to 14.68 percent in FY2022 compared to 13.60 percent in FY2021 as against 13.23 percent in FY2020. The increase in the operating margin in FY2022 is majorly on account of decrease in material costs as a percentage of sales. The PAT margin has improved to 9.96 percent in FY2022 from 6.17 percent in FY2021 as against 5.88 percent in FY2020.

Acuité believes that the operating performance of the group will continue to improve on account of healthy demand for its products in the industry.

Healthy financial risk profile

AG's financial risk profile is healthy marked by healthy network, negligible overall debt and above average debt protection metrics. The tangible net worth of group stood at Rs.627.48 crore as on 31 March 2022 as against Rs.499.84 crore as on 31 March 2021 and Rs.429.08 crore as on 31 March 2020. The increase in the net-worth is majorly due to the accretion of profits to reserves. The network of the Group is expected to improve in the near term on account of infusion of Rs.500 Cr by way of issue of preference share capital on private placement basis. The additional funds will be utilised towards the capital expenditure for new product development and related infrastructure. The Group has a debt averse financial policy, in the last three years ended FY2021, there was no debt in the Group. During the year FY2022, the

Group has availed a vehicle loan. Its working capital requirements are largely met through internal accruals. Occasionally, the Group avails bill discounting facility, over which it is charged commission fees. As on March 31, 2022 the group's total debt stood at Rs.0.67 crore. The interest coverage ratio stood at 368 times for FY2022 compared to 195 times for FY21 as against 625 times for FY2020. The total outside liabilities to tangible net worth (TOL/TNW) of the group stood stable at 0.47 times as on 31 March 2022 as well as on 31 March 2021.

Acuité believes that the financial risk profile of the company is likely to remain healthy over the medium term, however, timely completion of its capital expenditure plan pertaining to new product development and related infrastructure will be a key monitorable.

Weaknesses

Working capital intensive operations

The Group's working capital operations are intensive as evident from Gross Current Asset (GCA) days of 180 days as on March 31, 2022, as against 187 days as on March 31, 2021 and 147 days as on March 31, 2020. The inventory levels stood at 64 days for FY2022 compared to 78 days for FY2021 as against 29 days for FY2020. The inventory is stocked up on the basis of the orders received from the customers. The debtor days stood at 93 days for FY2022 as against 117 days for FY2021 as against 120 days in FY2020. The average credit period allowed to the customers is around 120 days. The creditor days of the group stood at 76 days for FY2022 as against 101 days for FY2021 and 92 days for FY2020. The average credit period received is around 90 days. The group does not have any working capital limits, however, it avails bill discounting facility on adhoc basis.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

Regulatory risk and Exposure to foreign exchange fluctuation risk

Drug pricing and the policy framework have a bearing on the performance and the strategies of the players operating in the industry. Further, due to high exports, the group is susceptible to foreign exchange fluctuation risks. While the group does not have any foreign exchange hedging policy, this risk is partially offset by the natural hedge created due to equivalent amount of imports of the Group. During the year FY2022, while the export sales stood at around 51 percent of its total sales, its imports stood at 46 percent of its total purchases.

Rating Sensitivities

- > Significant improvement in scale of operations and profitability margins.
- > Delay in completion of capital expenditure leading to deterioration in the financial risk profile.
- > Any stretch in working capital cycle leading to deterioration in the liquidity position.

Material Covenants

None

Liquidity position: Adequate

The group has an adequate liquidity position marked by healthy net cash accruals against negligible maturing debt obligations. The group generated cash accruals of Rs.142.71 crore in FY22 and Rs.85.72 compared against nil maturing debt obligations over the same period. The cash accruals of the group are estimated to remain around Rs.181.07-274.16 crore during 2023-25 period while its matured debt obligations is estimated to be in the range of Rs.0.13-0.15 crore during the same period. The GCA days of the Group stood at 180 days as on 31 March 2022. The group maintains unencumbered cash and bank balances of Rs.89.53 crore as on March 31, 2022 and the current ratio stood healthy at 2.48 times as on March 31, 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Acuité believes that the group will maintain 'Stable' outlook in the medium term on account of the extensive experience of the promoters in the industry, its established track record of performance and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant improvement in the scale of operations and profitability driven by growth in sales of new product developed. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile of the Group or elongation of the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1281.17	839.22
PAT	Rs. Cr.	127.64	51.80
PAT Margin	(%)	9.96	6.17
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	368.04	195.42

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

None

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité 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.

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Issuer Rating	Not Applicable	Not Applicable	Not Applicable	Simple	0.00	ACUITE BBB+ IR Stable Assigned

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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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