

Press Release

Asence Pharma Private Limited (APPL)

03 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.22.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the above mentioned Rs.22.00 crore bank facilities of Asence Pharma Private Limited (APPL). The outlook is '**Stable**'.

APPL, incorporated in 2004 is engaged in the manufacturing, trading and export of formulations, bulk drugs and veterinary products.

List of key rating drivers and their detailed description

Weaknesses:

Modest scale of operations: The scale of operations is modest with revenue of around Rs.38.93 crore in FY2016 and Rs.18.53 crore from April to September, 2016.

Debt funded capex plan: The company plans to set up a formulation manufacturing plant with capacity of 17.5 lakh tablets per day per shift at a cost of around Rs.19.50 crore to be funded through a term loan of Rs.10.00 crore, cash accruals of Rs.2.00 crore and promoter's contribution of Rs.7.50 crore. The civil construction work is underway and the company has so far incurred Rs.2 crore through accruals. The financial closure of the project is pending. The project is expected to begin commercial production by June, 2017. The company also plans to increase its cash credit by Rs.2.00 crore after commencement of the project. SMERA believes that the increase in debt is likely to deteriorate the gearing and coverage indicators in the near term. Besides, timely completion of the project and financial closure are key concerns.

Working capital intensive operations: APPL's operations are working capital intensive with GCA of around 152 days in FY2016 mainly on account of debtors of Rs.7.86 crore (74 days) and advances given to related parties to the extent of Rs.3.13 crore in FY2016. Further, the average cash credit utilisation stands moderately high at around 87 per cent from May to October, 2016.

Strengths:

Experienced management: Mr. Mohal Sarabhai, Director, possesses experience of over a decade in the pharmaceutical industry. Also, the company is a part of the Ambalal Sarabhai Group that has a track record of over 40 years in the industry.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

- Trading Entities : <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that APPL will maintain a stable outlook over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in its scale of operations, profitability and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability decline or if the financial risk profile weakens due to stretch in the working capital cycle or if the company takes on large debt-funded capex.

About the Rated Entity

APPL, incorporated in 2004, is engaged in the manufacturing, trading and export of formulations, bulk drugs and veterinary products. Bulk drug manufacturing constitutes around 10 per cent of total revenues. The company, headed by Mr. Mohal Sarabhai is a 100 per cent subsidiary of Asence Inc, USA (subsidiary of Ambalal Sarabhai Enterprises Limited). The product range categories are analgesic, antiallergic, anticoagulant, antifungal among others. The company exports to around 40 countries.

For FY2015-16, APPL reported profit after tax (PAT) of Rs.0.95 crore on operating income of Rs.38.93 crore, as compared to PAT of Rs.1.04 crore on operating income of Rs.37.60 crore in FY2014-15. The net worth stood at Rs.13.72 crore as on 31 March, 2016 against negative net worth of Rs.46.39 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan (Loan against Property)	LT	3.95	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-
Cash Credit**	LT	3.00	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-
Export Packing Credit**	ST	6.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Packing Credit in Foreign Currency/Foreign Currency Bill Discounting**	ST	6.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Foreign Bill Purchase/ Foreign Bill Negotiation (under LC)**	ST	6.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Foreign Bill Negotiation**	ST	6.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Proposed Term Loan	LT	10.00	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-
Proposed Cash Credit	LT	2.05	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-

****Total Fund Based Working Capital Limit not to exceed Rs.6.00 crore.**

Letter of Credit of Rs.0.50 crore is the sublimit of fund based limit of Rs.9.95 crore.

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan (Loan against Property)	N.A	N.A	N.A	3.95	SMERA B+ /Stable (Assigned)
Cash Credit**	N.A	N.A	NA	3.00	SMERA B+ /Stable (Assigned)
Export Packing Credit**	N.A	N.A	NA	6.00	SMERA A4 (Assigned)
Packing Credit in Foreign Currency/Foreign Currency Bill Discounting**	N.A	N.A	NA	6.00	SMERA A4 (Assigned)
Foreign Bill Purchase/ Foreign Bill Negotiation (under LC)**	N.A	N.A	N.A	6.00	SMERA A4 (Assigned)
Foreign Bill Negotiation**	N.A	N.A	N.A	6.00	SMERA A4 (Assigned)
Term Loan (Proposed)	N.A	N.A	N.A	10.00	SMERA B+ /Stable (Assigned)
Cash Credit (Proposed)	N.A	N.A	N.A	2.05	SMERA B+ /Stable (Assigned)

****Total Fund Based Working Capital Limit not to exceed Rs.6.00 crore.**

Letter of Credit of Rs.0.50 crore is the sublimit of fund based limit of Rs.9.95 crore.

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations SMERA Bond Ratings Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Ms. Reema Gangola, Rating Analyst, Tel: +91-22-6714 1111 Email: reema.gangola@smera.in	Varsha Bist Sr. Executive Tel: +91-22-67141 160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*