

Press Release

Group Pharmaceuticals Limited

September 25, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 13.10 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A2

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB**' (read as **SMERA BBB**) and short term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs. 13.10 crore bank facilities of Group Pharmaceuticals Limited. The outlook is '**Stable**'.

Group Pharmaceuticals Limited (GPL), incorporated in 1980 is engaged in the manufacturing of pharmaceutical products (oral and dental care) at its two units at Thane (Maharashtra) and Kolar (Karnataka). The installed capacity is 26 lakh kgs per annum for tablets, toothpastes, ointments and 40 lakh litres per annum for oral and external liquids.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Ann Attavar, Mr. Gopal Singh, and Mr. R. Sundaram have over three decades of experience in the pharmaceutical industry.

- **Moderate scale of operations and uneven profitability margins**

The scale of operations is moderate with operating income of Rs.96.16 crore in FY2017 (Provisional) as against Rs. 98.20 crore in FY2016 and Rs. 91.75 crore in FY2015. The operating margins also remained uneven at 7.23 per cent in FY2017 (Provisional) from 6.41 per cent in FY2016 and 9.23 per cent in FY2015. The profit margins have been uneven due to regulatory changes on fixed and combination products resulting in changes in the product mix.

- **Healthy financial risk profile**

GPL has a healthy financial risk profile marked by networth of Rs.25.97 crore as on 31 March, 2017 (Provisional) as against Rs.23.74 crore as on 31 March 2016. The gearing (debt to equity ratio) stood at 0.39 times as on 31 March, 2017 (Provisional) as against 0.27 times as on 31 March, 2016. The total debt of Rs.10.15 crore, mainly consists of working capital borrowings and unsecured loans from promoters of Rs. 1.81 crore as on 31 March, 2017. The interest coverage ratio (ICR) improved to 6.23 times in FY2017 (Provisional) as compared to 3.38 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.45 times as against 0.59 times in FY2016.

- **Well-established marketing channel**

GPL has a well-defined set of marketing channels in terms of C & F agents, medical representatives and stockists across the country. The distribution network spans 85,000 retailers serviced by 14 C&F agents and 450 stockists across several states in India.

- **Reputed customer base**

GPL has long term relations of more than 12 years with reputed clients including Dr. Reddy's

Laboratories Limited, GlaxoSmithkline Pharmaceuticals limited (GSK), Abbott Healthcare Limited and Glenmark Pharmaceuticals Limited.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by gross current assets (GCA) of 108 days in FY2017 (Provisional) as against 84 days in FY2016. This is mainly on account of high inventory of 49 days in FY2017 as against 39 days in FY2016 and debtors days of 45 in FY2017 as against 32 in FY2016. The average cash credit limit utilisation has been 50 per cent in the last six months ended June 2017.

- **Highly competitive and regulated pharmaceutical industry**

The company is exposed to unfavourable changes in regulations in the pharma industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that GPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of significant improvement in revenue and profitability while maintaining its financial risk profile. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenue and profitability or deterioration in the financial risk profile or further elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2016, GPL reported net profit of Rs. 1.15 crore on operating income of Rs. 98.20 crore, as compared to net profit of Rs.2.55 crore on operating income of Rs. 91.75 crore in FY2015. As per the provisional figures of FY2017, the company earned operating income of Rs.96.16 crore and net profit of Rs. 2.14 crore. The tangible net worth stood at Rs. 25.97 crore (Provisional) as on 31 March, 2017 as against Rs. 23.74 crore in the previous year.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-May-2016	Cash Credit	Long Term	INR 11.5	SMERA BBB / Stable
	Term Loan	Long Term	INR 1.26	SMERA BBB / Stable

	Proposed Working Capital Demand Loan	Long Term	INR 0.09	SMERA BBB / Stable
	Bank Guarantee	Short Term	INR 0.25	SMERA A2

*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	11.50	SMERA BBB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A2
Proposed	Not Applicable	Not Applicable	Not Applicable	1.35	SMERA BBB / Stable

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ABOUT SMERA

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