



Press Release

Group Pharmaceuticals Limited

November 02, 2018

Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE BBB**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) from **ACUITE A2** 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). The company has two manufacturing units at Thane (Maharashtra) and Kolar (Karnataka). The installed capacity of the GPL is 26 lakh kgs per annum for tablets, toothpastes, ointments and 40 lakh liters per annum for oral and external liquids.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management:**

The promoters, Mr. Sunil Attavar, Chairman & Managing Director and Mr. Ann Attavar have over three decades of experience in the pharmaceutical industry.

- **Healthy financial risk profile**

GPL has a healthy financial risk profile marked by net worth of Rs. 28.95 crore as on March 31, 2018 (Provisional) as against Rs. 26.14 crore as on 31 March, 2017. The gearing (debt to equity ratio) stood at 0.26 times as on 31 March, 2018 (Provisional) as against 0.39 times as on 31 March, 2017. This is mainly due to reduced debt obligation. The total debt of Rs. 7.51 crore, mainly consists of working capital borrowings of Rs. 6.55 Cr. and unsecured loans from promoters of Rs. 0.96 crore as on 31 March, 2018(Provisional). The interest coverage ratio (ICR) improved to 7.38 times in FY2018 (Provisional) as compared to 6.23 times in FY2017. The Total outside liabilities to tangible net worth improved to 0.80 times as on March 31, 2018 (Provisional) as against 0.70 times as on March 31, 2017. Going forward, Acuite believes the financial risk profile of the company will remain healthy in absence of any major debt funded capex and backed by moderate net cash accruals.

- **Well-established marketing channel and reputed customer base:**

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. GPL has long term relations of more than 12 years with reputed clients including Dr. Reddy's Laboratories Limited, Glaxo Smithkline Pharmaceuticals limited (GSK), Abbott Healthcare Limited and Glenmark Pharmaceuticals Limited. The scale of operations is moderate with operating income of Rs.104.69 cr. In FY2018 (Provisional) as against Rs. 96.16 Cr. in FY2017. The company reported operating margins of 7.78 percent in FY2018 (Provisional) as against 7.23 percent in FY2017. The net profitability has improved to 3.24 percent in FY2018 (Provisional) as against 2.40 percent in FY2017. The improvement in margins is mainly on account of reduction in finance cost in FY2018 (Provisional).

Weaknesses

• Deterioration in working capital operations

The working capital operations of the company have deteriorated in FY2018 (Provisional) over FY2017. The Gross Current Asset (GCA) days of the company stood at 129 for FY2018 (Provisional) as against 108 days in previous year. The deterioration is majorly on account of increase in debtor days to 67 for FY2018 (Provisional) as against 45 for FY2017. The inventory days stood at 50 for FY2018 (Provisional). Further, the company's ability to efficiently manage its working capital will remain key rating sensitivity factor.

• Highly competitive and regulated pharmaceutical industry

The company is exposed to intense competition from organized and unorganized players in the pharmaceutical industry. However, GPL has more than three decades experience in the pharmaceuticals industry which mitigates the risk to certain extent.

Outlook: Stable

Acuite 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 may be 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	104.69	96.16	98.20
EBITDA	Rs. Cr.	8.14	6.95	6.29
PAT	Rs. Cr.	3.39	2.31	1.15
EBITDA Margin	(%)	7.78	7.23	6.41
PAT Margin	(%)	3.24	2.40	1.17
ROCE	(%)	17.01	13.63	11.69
Total Debt/Tangible Net Worth	Times	0.26	0.39	0.27
PBDIT/Interest	Times	7.38	6.23	3.38
Total Debt/PBDIT	Times	0.92	1.45	1.02
Gross Current Assets (Days)	Days	129	108	84

Status of non-cooperation with previous CRA: None

Any other information

Not Applicable

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25- sept-2017	Cash Credit	Long Term	INR 11.5	ACUITE BBB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	INR 0.25	ACUITE A2 (Reaffirmed)
	Proposed bank Facility	Long Term	INR 1.35	ACUITE BBB/Stable (Reaffirmed)
03-May-2016	Cash Credit	Long Term	INR 11.5	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	INR 1.26	ACUITE BBB/Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	INR 0.09	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	INR 0.25	ACUITE A2 (Assigned)

*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	ACUITE BBB/Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A2 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.35	ACUITE BBB/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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