

Press Release
GROUP PHARMACEUTICALS LIMITED
July 19, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.85	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.25	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	16.10	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of 'ACUITE BB+' (read as Acuite double B plus) and the short-term rating of 'ACUITE A4+' (read as Acuite A four plus) on the Rs. 16.10 Cr. bank facilities of Group Pharmaceuticals Limited (GPL).

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for rating reaffirmation

The rating takes into account the stable business risk profile of the company marked by stable revenue from operations of Rs.133.57 Cr. in FY2023 (Provisional) compared to Rs.130.85 Cr. in FY2022. The rating also draws comfort from long and established track record of operations with experience management. The rating also factors in the wide distribution network span of more than 2,00,000 retailers and reputed clients such as Dr. Reddy's Laboratories Limited, Glaxo Smithkline Pharmaceuticals, Abbott Healthcare Limited among others. However, the rating is constrained by working capital-intensive nature of operations and its presence in a highly competitive & regulated pharmaceutical industry.

About the Company

Group Pharmaceuticals Limited (GPL), incorporated in 1980 and promoted by Mr. Sunil Attavar (Chairman & Managing Director) and Mrs. Ann Attavar 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 20 lakh liters per annum for oral and external liquids.

Analytical Approach

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

Key Rating Drivers

Strengths

Established operations with experienced management and reputed clientele

The company has established track record, since 1980, in manufacturing of pharmaceutical products comprising tablets, toothpastes, oilments and oral liquids. The company is promoted by Mr. Sunil Attavar (Chairman & Managing Director) and Mrs. Ann Attavar, who collectively have over three decades of experience in the pharmaceutical industry. The extensive experience of promoters has enabled to the company to develop established relationships with its customers and suppliers. The promoter's extensive experience is also reflected through improvement in the operating income to Rs.133.57 Cr. during FY2023 (Provisional) from Rs.130.85 Cr. in FY2022 and Rs.105.33 Cr. in FY2021 while its operating margins remained stable in the range of 7.08-6.38 percent during the same period.

Healthy financial risk profile

The financial risk profile of the company remains healthy with healthy networth, absence of any long term borrowings and modest debt protection metrics. Due to the accumulation of reserves, the tangible net worth increased to Rs. 48.26 Cr. as on 31 March 2023 (Provisional) as against Rs. 44.25 Cr. as on 31 March 2022. The total outstanding debt of the company stood nil as on 31 March, 2023 (Provisional) as against Rs.2.13 Cr. as on 31 March, 2022. Furthermore, the Total outside liabilities as a percentage of tangible net worth (TOL/TNW) stood low at 0.28 times as as on 31 March, 2023 (Provisional) compared to 0.39 times same period last year.

Weaknesses

Working capital-intensive nature of operations

The operations of the company are working capital intensive in nature marked by high Gross Current Asset Days (GCA) of 110 days for FY2023 (Provisional). The high GCA days is primarily on account of high receivable period of 62 days during the same period. Furthermore, the inventory days of the company stood at 33 days for FY2023 (Provisional) and the credit period given by the company was 34 days for same period.

Highly competitive and regulated pharmaceutical industry

All the products and companies in the pharmaceutical industry are regulated by several policies and bodies in terms of quality control, safety and health standards, and several other certifications and control standards. Any changes in regulations by the regulatory bodies may hamper the business of entities prevailing in the industry. Further, the company faces intense competition from large players present in the industry.

Rating Sensitivities

Not Applicable

Material covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by net cash accruals of Rs. 6.54 Cr. in FY2023 (Provisional) as against Rs.1.85 Cr. of long-term debt repayment during the same period. The current ratio stood at 2.99 times as of FY2023, as compared to 2.91 times as of FY2022. The cash and bank balances stood at Rs. 3.16 crore in FY2022.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	133.57	130.85
PAT	Rs. Cr.	4.51	4.83
PAT Margin	(%)	3.38	3.69
Total Debt/Tangible Net Worth	Times	0.00	0.05
PBDIT/Interest	Times	22.45	26.31

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Jun 2022	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	15.85	ACUITE BB+ (Issuer not co-operating*)
08 Mar 2021	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	15.85	ACUITE BB+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A4+ Reaffirmed & Withdrawn
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.85	ACUITE BB+ 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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