



Rating Rationale

Accord Life Spec Pvt.Ltd.

28 June 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹154.02 Crores of Accord Life Spec Pvt.Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
<u>Fund based</u>			
Term Loan I	90.00	Long Term	BWR C (Pronounced as BWR C)
Term Loan II	50.00		
<u>Non Fund based</u>			
Bank Guarantee	14.02	Short Term	BWR A4 (Pronounced as BWR A four)
Total	154.02	INR One Hundred and Fifty Four Crores and Two Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials in of FY17, provisional financial of FY18 and projected financials up to FY20 and publicly available information and information/clarifications provided by the company.

The ratings derive the vast experience of promoters in various businesses and established track record of group concerns, experienced management team and diversified product range . The ratings are, however, constrained by limited experience of the promoters in the pharmaceutical manufacturing business, limited track record of operations with high customer concentration and pricing pressure exerted by foreign buyers for their products, high gearing and negative net worth levels, present small scale of operations , risk associated with the expected time of commencement of operations, weak financial profile and debt coverage , highly competitive and regulated segment of pharmaceutical industry.



Going forward, the ability of the company to achieve the projected revenue, increase in scale of operations as well as improvement in Profitability margins, improve its net worth levels, acceptability of their products, repayment of debt obligations on time and effective working capital management would be the key rating sensitivities.

Description of Key Rating Drivers

Strengths:

The company is part of the Accord group with varied business interest such as education, health care, hospitality, realty, information technology, liquor, Brewery, Pharmaceuticals, Power, etc. The promoters of the company are having vast experience in managing various institutions. The product range of the company includes to manufacture 4.5 crore tablets per annum, 1.8 crore capsules, 37 lakh lyophilized vials and 18 lakh liquid vials.

Constraints:

The promoters of the company have extensive business experience, however, their experience in the field of manufacturing pharmaceutical products is limited. The company has trading income of Rs.0.40 crs for FY17. It is expected to improve further in the near term. The R&D unit is complete and is operational since Jan 2018. At present, the company is engaged in trading activities with the revenue of Rs.0.40 crs for FY17. Further, considerable external borrowings led to adverse coverage indicators.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the company

ALSPL was incorporated in 2014 to set up a contract manufacturing facility for generic Oncology drugs. It is part of the Accord group of companies promoted by former MP, Dr. Jagathrakshakan along with his family members. The total cost of the project is estimated to be Rs.208 crore of which Rs.140 crore would be through debt funding and the rest is through equity and unsecured loans. The company was sanctioned a term loan of Rs.50 crore by UCO bank and Rs.90 crore by Punjab National Bank in April 2016. The construction of the manufacturing unit is completed in May 2018 and the stability and other studies will be completed by October 2018 and the commercial sales will commence by October 2018. The manufacturing facility would have a plant and an R&D unit attached to it with a built over an area of 11 acres. The R&D unit is complete and is operational since Jan 2018.

At present, the company is engaged in trading & selling of medicines to their group company "Sree Balaji Medical College & Hospital. The company is in talks with various companies to establish contracts for manufacturing drugs. The company being a manufacturer of pharmaceutical items will be under regular supervision by the authorities.

Company Financial Performance

As per provisional financial of FY18, they have achieved operating revenue of Rs.0.81 crs. (April '17 to Mar'18).



Key Financial Indicators

Key Parameters	Units	2017
Result Type		Audited
Operating Revenue	₹ Cr	0.40
EBITDA	₹ Cr	(0.23)
PAT	₹ Cr	(0.11)
Tangible Net worth	₹ Cr	(10.94)
Total Debt/Tangible Net worth	Times	(5.43)
Current Ratio	Times	11.44

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long term	140.00	BWR C (Pronounced as BWR C)	NIL		
2	Non Fund Based	Short term	14.02	BWR A4 (Pronounced as BWR A four)			
	Total		154.02	₹ One Hundred and Fifty Four Crores and Two Lakhs Only			

Status of non cooperation with Previous CRA : NIL

Any other information: Non Applicable



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>R Varadarajan</i> <i>Chief Manager-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.



DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.