

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities amounting to ₹ 14.68 Cr of Acebright (India) Pharma Private Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan facilities sanctioned by *Corporation Bank* of Acebright (India) Pharma Private Limited (AIPPL).

Facility	Limit (₹ Cr)	Tenure	Rating
Term Loan	4.68	Long Term	BWR BB- (BWR Double B minus) (Outlook: Stable)
Cash Credit	7.00		
Bank Guarantee	1.00	Short Term	BWR A4 (BWR A Four)
Inland Letter of Credit	2.00		
Total	14.68	(INR Fourteen Crores & Sixty Eight Lakhs only)	

BWR has principally relied upon the audited financial results up to FY13, projected financials up to FY15 of AIPPL and publicly available information and information/ clarifications provided by the company's management.

The rating factors in the strong support of the parent group, Shanghai Acebright Pharmaceuticals China, experienced management of the company, approval from WHO for GMP (Good Manufacturing Practices) for the company's API unit and the company having revenues of ₹ 100 Crores for H1FY14.

However, the rating is largely constrained by the company's moderate revenues with cash losses in FY13, resultant weak debt protection metrics and substantial increase in inventory and payables in FY13.

Background:

Acebright (India) Pharma Private Limited was established in 1994 in Bangalore, Karnataka as Intermed Labs Pvt Ltd. It is part of the Shanghai Acebright Pharmaceuticals Group Co.,Ltd. (formerly Shanghai Desano Group) who are an innovative pharmaceutical group in the healthcare industry.

AIPPL have a WHO certified GMP standard facility for manufacture of API's (Active Pharmaceutical Ingredient) or bulk drugs. The company produces several kinds of API's such as Capecitabine usp, Atazanavir, Efavirenz usp and Tenofovir which are mainly the anti-neoplastic

¹ Please refer to www.brickworkratings.com for definition of the Ratings

(Cancer), general medicine, anti-HIV and anti-Hepatitis B Drugs. The company has two production blocks the Oncology API block & General API block and have a combined capacity of 200 Metric Tonnes Per Annum.

Financial Performance:

The net sales of AIPPL grew from ₹ 45.16 Crores in FY12 to ₹ 59.84 Crores in FY13. Net losses rose to ₹ 21.94 Crores in FY13 from losses of ₹ 4.28 Crores in FY12.

The Net worth of the Company stood at ₹ 14.87 Crores on March 31st, 2013 as against ₹36.80 Crores on March 31st, 2012. Although the debt equity ratio is high at 5.30 times in FY13 compared to 0.73 times in FY12, this is due to a Short Term Loan of Rs.55 Crores which has since been repaid and the subsequent modified gearing levels are at ~1.6 times in FY13. The Current Ratio is at 0.52 times in FY13 compared to 0.81 times in FY12.

Rating Outlook

The ability of the Company to increase revenues, improve the profitability and net worth levels with infusion of equity by the parent Group and effectively manage its working capital shall remain key rating sensitivities.

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