



Rating Rationale

Agog Pharma Ltd

29 Jan 2019

Brickwork Ratings reaffirms ratings of BWR BB+(Stable)/A4+ for the Bank Loan Facilities of ₹. 9.50 Crores of Agog Pharma Ltd. (APL or 'The Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jul, 2017)	Present
Fund based Export Packing Credit Cash Credit	2.50 (0.20)	2.50 (0.20)	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable <i>Reaffirmed</i>
Non Fund Based Letter of Credit Bank Guarantee	7.00 (1.00)	7.00 (1.00)	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) <i>Reaffirmed</i>
Total	9.50	9.50	INR Nine Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the promoter's extensive industry experience, diversified product profile and above average financial risk profile supported by low gearing levels, adequate debt protection metrics, moderate network and healthy profitability margins. However, the rating continues to be constrained by degrowth in sales in FY18 on the back of low capacity utilization, low order book, High average collection period, profitability susceptible to foreign exchange fluctuations and Susceptibility to risks relating to significant regulation in the formulations industry Going forward, the ability of the

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company to profitably scale up its operations and strengthen its working capital management are the key rating sensitivities.

Key Rating Drivers

Extensive experience of Promoters: Mr. Aziz Abdul Hamid Damani, Managing Director, has a vast experience of over 40 years in the pharmaceutical industry. Over the years, he has worked in various countries like UK, Uganda, Tanzania, Kenya and Zambia. On the back of promoter's extensive experience the company has built relationships with pharma co. viz. Gittoes Pharmaceuticals, RBC, Planet Pharmaceuticals Ltd of over 8-10 years, located in these countries.

Above Average financial risk profile: The company has a comfortable networth of Rs. 24.56 Crs on account of healthy accretion to reserves. The overall gearing ratio was low at 0.06 times as on 31st March 2018 supported by almost negligible debt. Debt protection metrics remain robust with DSCR at 9.65 times and ISCR at 17.23 times as on 31st March 2018 supported by moderate profitability.

Degrowth in scale of operations: The revenues of the company have remained stagnant for the past 3 years. There was a degrowth in sales from Rs. 73.80 Crs in FY17 to Rs. 68.47 Crs in FY18 on the back of low capacity utilization of 68.33% of tablets and 56.67% of capsules. For~10M FY19, the company has achieved a turnover of Rs. 43 Crs. Due to low order book of Rs. 10.70 Crs, the scale of operations may remain small over the medium term.

Profitability susceptible to foreign exchange risk: The company engages in export of its products to African countries, Sri Lanka etc. with export income constituting of almost 99% of the net sales in FY18 while a small proportion of raw materials is also imported. In the absence of any other hedging mechanism, the profitability of the company remains susceptible to a foreign exchange risk.

Susceptibility to risks relating to significant regulation in the formulations industry: The regulations governing the pharmaceutical market are stringent and require significant capital investments and quality control. Furthermore, licenses are periodically reviewed, thus requiring continual investments and adherence to quality by manufacturers. Any non-compliance or quality issues in the product specifications may result in disqualification of the product line. APL will continue to be susceptible to risks related to licensing requirements and high degree of regulation prevalent in the pharmaceutical industry.

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).

Rating Outlook: Stable

BWR believes the APL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be



revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Incorporated in 1990 at Vasai, Maharashtra, APL is an ISO: 9001:2000, WHO-GMP certified pharmaceutical company manufactures and markets pharmaceutical formulations in the form of tablets, liquid orals, capsules, dry syrup etc. The company operates from its single manufacturing facility located at Vasai Dist. Thane, Maharashtra. The company currently exports to countries like Uganda, Rwanda, Tanzania, Zambia and Sri Lanka. Mr. Aziz Abdul Hamid Damani is the Managing Director and Mrs. Shehnaz Aziz Damani and Mr. Anil Kumar Pandey are the other Directors.

Financial Performance

APL reported Operating Revenue of Rs 68.47 Crs and Net Profit of Rs 4.41 Cr for FY18 as against Operating Revenue of Rs. 73.80 Crs. and Net Profit of Rs 4.40 Cr for FY 17. Tangible Net Worth was Rs 24.56 Crs and Total debt was Rs.1.39 Crs as on March 31 2018. Current ratio was adequate at 1.95 times as on March 31 2018.

The key financial indicators are summarized in Annexure II

Rating History for the last three years

Instrument /Facility	Current Rating (Jan 2019)			Rating History		
	Type	Amount (₹ Crs)	Rating	July 2017	July 2016	May 2015
Fund Based Export Packing Credit Cash Credit	Long Term	2.50 (0.20)	BWR BB+ (Outlook: Stable) (Pronounced as BWR Double B Plus) Reaffirmed	BWR BB+ (Outlook: Stable) (Pronounced as BWR Double B Plus) Reaffirmed	BWR BB+ (Outlook: Stable) (Pronounced as BWR Double B Plus) Reaffirmed	BWR BB+ (Outlook: Stable) (Pronounced as BWR Double B Plus) Reaffirmed
Non Fund Based Letter of Credit Bank Guarantee	Short Term	7.00 (1.00)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed
Total		9.50	₹ Nine Crores and Fifty Lakhs Only			

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

Any other information- NA

Annexure I

Bank Facilities Details- SBI Bank, Mumbai, Maharashtra

Facilities**	Type	Total
Export Packing Credit	Fund Based	2.50
Letter of Credit	Non Fund Based	7.00
Total		9.50

Annexure II

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. in Crs	68.47	73.80
EBITDA	Rs. in Crs	6.45	6.90
PAT	Rs. in Crs	4.41	4.41
Tangible Net worth	Rs. in Crs	24.56	20.14
Total Debt/Tangible Net worth	Times	0.06	0.10
Current Ratio	Times	1.95	1.68

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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For print and digital media

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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.

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.