

Rating Rationale

Brickwork Ratings reaffirms the ratings at 'BWR BB+' & 'BWR A4+' for Bank Loan facilities revised from ₹ 7.01 Cr to ₹ 6.50 Cr of Agog Pharma Limited, Thane.

Brickwork Ratings have reaffirmed the **Rating¹** for Bank Loan facilities aggregating ₹6.50 Crores revised from ₹7.01 Crores of Agog Pharma Limited ("the Company" or "APL") availed from State Bank of India as follows:

Facilities	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (March 2014)	Present Rating (April 2015)
EPC	2.50	2.50	Long Term	BWR BB+ (Outlook: Stable) (Pronounced BWR Double B Plus)	BWR BB+ (Outlook: Stable) (Pronounced BWR Double B Plus) Reaffirmed
Term Loan	0.51	NIL			
Cash Credit (Sub Limit of EPC)	(0.20)	(0.20)			
EBN (Sub Limit of EPC)	(2.50)	(2.50)			
Letter of Credit	4.00	4.00	Short Term	BWR A4+ (Pronounced BWR A Four Plus)	BWR A4+ (Pronounced BWR A Four Plus) Reaffirmed
Bank Guarantee (Sub Limit of LC)	(1.00)	(1.00)			
Total	7.01	6.50	(INR Six Crore & Fifty Lakhs Only)		

Note: Term Loan has been duly repaid by the Company. EPC: Export Packing Credit; EBN: Export Bill Negotiation.

BWR has essentially relied upon the audited financials of FY13 and FY14, projections for FY15 & FY16 of Agog Pharma Limited, publicly available information and information/clarification provided by the Company's management.

The rating reaffirmation takes into consideration the improvement in the performance of the Company during FY14 as against that of FY13, apart from the experience of the promoters in the pharmaceuticals industry. However, the rating review is constrained by shortfall in its audited financials for FY14 vis-à-vis its projections shared earlier for FY14, the modest scale of operations, lower profitability although improved from FY13, modest equity base, customer concentration risk and intense competition in the generic drugs market resulting in low bargaining power for the Company.

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

About the Company:

Incorporated in 1990, Agog Pharma Limited is an ISO 9001: 2000, WHO - GMP certified Pharmaceutical Company engaged in manufacturing of Tablets, Liquid Orals, Capsules and Dry Syrup formulations in its manufacturing facility located at Vasai, Thane. The Directors of the Company are Mr Aziz Abdul Hamid Damani Mr. Anil Pandey and Mrs Aziz Shehnaz Damani, while Mr Aziz Abdul Hamid Damani and Mrs Aziz Shehnaz Damani are the major shareholders of the Company. The Directors of the Company are experienced with Mr Aziz Abdul Hamid Damani having an experience of over four decades in the pharma industry.

Financial Performance:

Revenue from operations increased from Rs.54.91 Cr in FY13 to Rs.60.94 Cr in FY14, a growth of ~11 per cent. However, customer concentration risk continues with more than 70 per cent of the revenue is attributed from a single customer. The operating profit margin increased from 2.64 percent in FY13 to 4.35 per cent in FY14 and the net profit margin has improved from 1.85 per cent in FY13 to 3.58 per cent in FY14. Improvement in profitability in FY14 is mainly due to lower freight expenses. Total Debt: Equity ratio has improved from 0.46x in FY13 to 0.21x in FY14. The gearing has come down due to repayment of the term loan and retention of profits. The Company although has improved its performance from FY13 has fallen short of its projections for FY14. The Company has reported revenue of ~Rs.70.17 Cr during FY15.

Rating Outlook:

The outlook is expected to remain stable over the next twelve months. Going forward, the ability of the Company to achieve the projected financials for FY16, diversification of the customer base and continuation of the export incentives from the Government will be the key rating sensitivities.

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