

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' & 'BWR A4+' for the Bank Credit Facilities amounting to ₹ 7.01 Cr of Agog Pharma Ltd

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the long term Bank credit facilities of ₹ 3.01 Cr and the Short term Bank credit facilities of ₹ 4.00 Cr for Agog Pharma Limited ("APL" or "the Company").

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based		Long Term	BWR BB+ (BWR Double B Plus) Outlook-Stable
EPC	2.50		
EBN	(2.50)		
CC	(0.20)		
TL	0.51		
Non Fund Based		Short Term	BWR A4+ (BWR A Four Plus)
LC	4.00		
BG	(1.00)		
Total	7.01	(INR Seven Crores & One Lakh only)	

BWR has principally relied upon the audited financial results of APL up to FY 13, and further projected financials, publicly available information and information/clarification provided by the Company management.

The ratings assigned to the bank facilities of APL takes cognizance of vast experience of its promoters in the pharmaceuticals business, established track record of operations of APL about more than two decades and its increasing presence in the growing African pharmaceutical market along with comfortable debt coverage metrics. However the ratings strengths are partially offset by APL's modest scale of operations, relatively low profit margin, geographical concentration in revenue profile and customer concentration risk. Competitive nature of the export generic pharmaceuticals market and exposure to exchange rate risks associated with exports further constrain the ratings.

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

Background

Incorporated in 1990, APL is an ISO 9001: 2000, WHO, GMP certified pharmaceutical unit engaged in manufacturing of Tablets, Liquid Orals, Capsules and Dry Syrup formulations in its manufacturing facility located at Vasai, Thane. The company was established by Mr Aziz Damani and Mr. Anil Pandey. APL was originally incorporated as a private limited company in 1990 by Mr Nazaralli R Dholasania, Mr Saukatali R. Maredia and Mr Sabjali R. Dholasania and was engaged in the sale of pharmaceutical products (branded generics) in the domestic as well as less-regulated export markets (mainly the African markets). The company was later converted into a public limited company in April 1995. During FY06, the company was taken over by Mr Aziz Damani (based in Uganda) who was earlier, one of the customers of APL.

Financial Performance

The company operated on higher scale in FY 13 reflected in total operating income (TOI) of Rs.54.91 Cr compared to Rs. 37.98 Cr in FY 12. PAT for FY13 stood at ₹ 1.02 Cr against ₹ 0.82 Cr in FY12. APL has low gearing levels of 0.46 times as of March 31, 2013 even if unsecured loan from promoter are not classified as quasi equity. Interest coverage ratio and DSCR of the company is at comfortable level currently.

Rating Outlook

The ability of APL to increase the scale of operations through product and market diversification, improvement in capital structure and continuation of benefits derived from the Focused Market Scheme of Ministry of Commerce and Industry (Government of India) remain the key rating sensitivities.

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