

Press Release

Brickwork Ratings assigns BWR B rating with Stable outlook for long-term Bank Loan Facilities of Alliaance Biotech amounting to ₹ 8.50 Crores and BWR A4 for short-term Bank Loan Facilities amounting to ₹ 0.75 Crores

Brickwork Ratings has assigned the Ratings¹ **BWR B (Pronounced BWR B)** rating with **Stable outlook** for long-term Bank loan facilities of *Alliaance Biotech* amounting to ₹ 8.50 Crores and **BWR A4 (Pronounced BWR A Four)** for short-term bank loan facilities amounting to ₹ 0.75 Crores.

The rating factors, inter alia, the strong customer base, diversified product variants and supply of drugs to pan-India locations. However, the rating is constrained by the small scale of operations of the firm with stagnant revenue growth in the last 3 years, stretched working capital cycle with high receivables vis-a-vis the turnover of the firm, which may lead to liquidity problems in future.

Alliaance Biotech is a partnership concern located at Baddi (H.P.) with corporate office at Panchkula (Haryana) for the manufacture of various types of tablets, capsules, liquid, ampules and injections (vial), based on licenses from the State Drug Control Department. The firm manufactures drugs for their customers which are large pharma companies. Apart from this, they also manufacture products for own marketing, without any branding. The firm's Baddi plant runs at an operational efficiency of 75%.

This firm was promoted by 3 partners with equal shareholding, namely Mr. Navneet Dhawan, Mr. Shishir Gupta and Mr. Nitin Singla in 2004. The promoters have on an average 10-15 years of experience in the Pharmaceuticals industry.

Net revenue of the firm was almost stable at ₹ 23.38 Crores in FY12 vs. ₹ 23.17 Crores in FY11. The firm's EBITDA margin improved from 15.58% in FY11 to 17.84% in FY12. However, there was only a marginal improvement in the PAT margin from 9.71% in FY11 to 9.88% in FY12, due to increased interest costs.

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned

Net worth stood at ₹ 11.20 Crores in FY12 when compared to ₹ 9.10 Crores in FY11. Due to lower borrowings, firm's debt equity ratio improved from 1.00 in FY11 to 0.80 in FY12. However, the level of receivables is rising year after year, touching Rs. 16.09 crores as on 31 March 2012, indicating a debtor period of 251 days (191 days as on 31 Mar 2011.) For 8 months, up till November 2012, the firm recorded turnover of ₹ 21.0 Crores vs. turnover of ₹ 15.0 Crores for the same period in the previous year.

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