

Rating Rationale (Annual Review)

Brickwork Ratings revises ratings to ‘BWR BB-’ & reaffirms ‘BWR A4’ for the Bank Loan Facilities aggregating ₹ 9.25 Cr of Alliaance Biotech

On an annual review, Brickwork Ratings (BWR) has *revised/reaffirmed* the following **Ratings¹** for the Bank Loan Facilities of Alliaance Biotech (*AB or ‘the Firm’*)

Facility	Limits (₹ Cr)	Tenure	Rating revised/reaffirmed	Rating History
Fund Based Cash Credit	8.00	Long Term	BWR BB- (Pronounced BWR Double B Minus)	BWR B (Pronounced BWR Single B) Outlook: Stable <i>(March 2013)</i>
Fund Based Standby Line of Credit	0.50		Outlook - Stable <i>(Upgraded from BWR B)</i>	
Non-Fund Based Letter of Credit	0.75	Short Term	BWR A4 (Pronounced BWR A Four) <i>(Reaffirmed)</i>	BWR A4 (Pronounced BWR A Four) <i>(March 2013)</i>
Total	9.25	INR Nine Crores and Twenty Five Lakhs only		

BWR has principally relied upon the audited financial statements of the firm up to FY13, provisional financials for FY14, publicly available information and information/clarifications provided by the firm’s management.

The rating has factored, inter alia, the improvement in the performance of the firm, diversified product offerings, diversified clientele in terms of customer type and geographical locations, low gearing level and healthy debt protection metrics. The rating is, however, constrained by the small scale of operations, stretched working capital cycle, average production capacity utilization, high level of competition from other generic drugs manufacturers and exposure to foreign exchange risk.

Background

Alliaance Biotech is a partnership firm located at Baddi, Himachal Pradesh with corporate office at Panchkula, Haryana and is operating since 2006. The partnership firm is into manufacturing of a wide range of products such as hormone tablets, capsules, oral liquids, injectables (Wet & Dry), ophthalmic and ear & eye drops. Licenses are obtained from Drug Control Department of State FDA for the manufacturing of drugs. Drugs manufactured are formulated in their Baddi unit.

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

These products are generic drugs like anti-oxidants, anti-inflammatory, pediatric liquids, ophthalmic, antibiotics and other emergency medicines. The manufacturing unit is located at Baddi, Himachal Pradesh. The capacity utilization is around 50% to 55%. The product manufacturing and sales can be categorized into three categories viz., Manufacturing and marketing done by Alliaance Biotech itself, Third party job work in which the products are formulated and manufactured by the firm but marketing/branding is done by the customers and Institutional sales in which tenders are obtained by the firm after technical and monetary bidding and the product specifications are furnished by the customers. The firm has its in-house laboratory for the testing and quality checks of the raw materials and the final products.

Management Details

Mr. Shishir Gupta and Mr. Nitin Singla are the two partners of the Firm with equal partnership shares. There are adequate numbers of technical and administrative staff, skilled and unskilled workers available at operational level.

Financial Performance

The firm reported a Total Operating Income of ₹ 31.46 Cr with a Net profit of ₹ 2.05 Cr against a Total Operating Income of ₹ 23.38 Cr with a Net profit of ₹ 2.31 Cr for FY12. Total Operating Income has increased by 34.56% in FY13. Net Profit Margin declined from 9.89% in FY12 to 6.51% in FY13. Tangible Net worth of the Firm increased from ₹ 11.19 Cr in FY12 to ₹ 11.70 Cr in FY13 due to retention of profits.

On a provisional basis, the firm has reported Total Operating Income of ₹ 40.94 Cr with a Net Profit of ₹ 2.76 Cr for FY14

Rating Outlook

The performance of the firm is expected to remain stable over the next year. The firm's ability to effectively manage input costs, mitigate forex fluctuation risks with appropriate covers, manage its working capital efficiently and improve its production capacity utilization would be crucial to its performance and are also the key rating sensitivities.

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