



Rating Rationale

Assurgen Pharma Pvt Ltd

14 Nov 2018

Brickwork Ratings assigns BWR BB- (Outlook: Stable) for the Bank Loan Facilities of Rs. 6.00 Crores of Assurgen Pharma Pvt Ltd (APPL or the company), Visakhapatnam, Andhra Pradesh.

Particulars

Facilities [#]	Amount (Rs. Crs)	Tenure	Rating*
Fund based			
Open Cash Credit	4.00	Long Term	BWR BB- (Outlook: Stable) (Pronounced as BWR Double B Minus)
Proposed Open Cash Credit - Enhancement	2.00		
Total	Rs. 6.00 Crore (Rupees Six Crore Only)		

Annexure I provides bank wise details of facilities

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY18, Provisional financials for 6MFY19 and projected financials for FY20, publicly available information and information/clarifications provided by the company management.

The rating draws strength from the extensive experience of the promoters in manufacturing and trading of pharmaceuticals, continuous support from the promoters and moderate capital structure. However, the rating is constrained due to limited track record of operations, negative profitability ratios, stressed liquidity, fragmented and competitive Industry, susceptibility to risks relating to significant regulation in the Pharmaceutical industry and working capital intensive operations.



Going forward, the ability of the company to increase its scale of operations and improve its profitability, strengthen its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

Key Rating Drivers

Credit Strengths:

- **Experienced promoter:** The promoter has more than a decade of experience in the pharmaceuticals industry, has helped strong relationships with customers and suppliers across India and abroad.
- **Continuous support from the promoters:** The promoters infused the additional capital, by way of issuing equity in FY16, FY17 and FY18, which results share capital increased from Rs.2.53 Crs in FY16 to Rs.21.38 Crs in FY18.
- **Operations stabilize in the near future:** The company is expecting operational stability in the current financial year (FY19) and the company has shown revenue of around Rs.15 Crs for 6MFY19 provisional basis.
- **Moderate capital structure:** Capital structure is moderate with tangible net worth of Rs. 13.68 Crs and gearing ratio of 1.56 times as on 31st March 2018. The Company has issued additional equity worth of Rs. 9.45 Crs in FY18.

Credit Risks:

- **Limited track record and small scale of operations:** Commercial operations commenced in August 2017. Revenue was modest at around Rs.7 Crs for FY18.
- **Negative profitability margins:** Profitability margins are negative with operating profit margin and net profit margin of 50.00% and 90.69% respectively for FY18.
- **Stressed liquidity:** The company has a stressed liquidity level as reflected by current ratio of 0.77 times in FY18.
- **Susceptibility to risks relating to significant regulation in the Pharmaceutical 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. APPL will continue to be susceptible to risks related to licensing requirements and high degree of regulation prevalent in the



pharmaceutical industry.

- **Susceptibility of profit margins to foreign exchange fluctuation risk :** The company imports and export drugs. However, the company does not engage in any hedging practices to cover foreign exchange fluctuation risk.

Analytical Approach

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 **Assurgen Pharma Pvt Ltd** 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

Assurgen Pharma Pvt Ltd (APPI) was incorporated on 10th October 2013 Hyderabad. The factory is located at APIIC, Denotified area Lalamkoduru Village, Rambilli Mandal, Atchutapuram, Visakhapatnam. The company has started its commercial operations from 1st August, 2017.. The main objective of the company is to do Bulk Drug Manufacturing of the drugs which will be used in Pharmaceutical formulas for Human being. The company is manufacturing of Etoricoxib and Pantoprazole and apart from those, company also manufactures intermediaries necessary for manufacturing of the above chemicals. On 8th October, 2018 the company has received clearance from Government of India regarding approval of Importing Active Pharma Substances to European Union for next 3 years. Assurgen Pharma is having 21 Reactors, Boiler, Heavy storage tanks, R&D lab, Quality Assurance lab, Quality Control lab which assist in 24 hour manufacturing of the plant. Assurgen Pharma Private Limited has obtained for Drug license which would enable it to export to 50 countries in the world. The management of the company has obtained WHO GMP. The major customers are Madras Fluorine Pvt Ltd, Altra Pharma Chem Pvt Ltd, Suparna Chemicals Pvt Ltd, Pon Pure Chemical India Pvt Ltd and Karvy Therapeutics Pvt. Ltd and the major suppliers are Lakshmi Life Sciences Pvt.Ltd, Seutic Labs Pvt.Ltd, Panacea Pharma Pvt.Ltd and Viraj Pharmaceuticals Pvt.Ltd.

Mr. Kukalakunta Nagendra Rao is the managing director of the company.



Financial Performance

Assurgen Pharma Pvt Ltd, reported revenue of Rs.7.13 Crs and net loss of Rs.7.23 Crs for FY18 due to operations were not yet stabilized. The commercial operations commenced in August 2017. Tangible net worth was Rs. 13.68 crore as on 31st March 2018. Total Debt was Rs. 21.40 crore and current ratio was 0.77 times as on 31st March 2018. On a provisional basis, the company reported total revenue of around Rs.15 crore for 6MFY19.

Key financial indicators are furnished in Annexure II

Rating History for the last three years

S.No	Facilities	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Open Cash Credit	Long Term	4.00	BWR BB- (Outlook: Stable)	Not Available		
2	Proposed Open Cash Credit - Enhancement		2.00				
Total			Rs. 6.00 Crore (Rupees Six Crore Only)				

Status of non-cooperation with other CRA - Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media
<i>Nagaraj KS</i> <i>Chief Manager - MSME</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	



Annexure I
Assurgen Pharma Pvt Ltd
Visakhapatnam, Andhra Pradesh

Name of the Bank	Facilities	Tenure	Facilities Type	Amount Rated (Rs. Crs)
Andhra Bank, Maharanipeta Branch, Visakhapatnam, Andhra Pradesh.	Open Cash Credit	Long Term	Fund Based	4.00
	Proposed Open Cash Credit - Enhancement			2.00
Total				6.00

Annexure II
Key Financial Indicators

(Rs. Crore)	Units	FY17 Audited	FY18 Audited
Net Sales	(Rs. Crs)	-	7.97
EBITDA	(Rs. Crs)	(0.22)	3.99
Profit After Tax	(Rs. Crs)	(0.24)	(7.23)
Tangible Net Worth	(Rs. Crs)	11.46	13.68
Total Debt: Tangible Net Worth	Times	1.45	1.56
Current Ratio	Times	0.39	0.77

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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.