

## Rating Rationale

### Axa Parenterals Limited

08 Apr 2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 36.37 Crores of Axa Parenterals Limited**

#### Particulars

Issue	Amount Rated (Cr)		Tenure	Previous Rating	Rating Assigned <sup>^</sup>
	Previous	Present			
<b>Fund Based</b>					
CC	16.00	16.00	Long Term	BWR BBB (Pronounced as BWR triple B) Outlook:Stable	BWR BBB (Pronounced as BWR triple B) Outlook:Stable Reaffirmation
TL	20.55	11.87			
<b>Non Fund Based</b>					
ILC/FLC	5.50	7.00	Short term	BWRA3+ (Pronounced as BWR Single A Three Plus)	BWRA3+ (Pronounced as BWR Single A Three Plus) Reaffirmation
BG	1.50	1.50			
<b>Total</b>	<b>43.55</b>	<b>36.37</b>	<b>Rs.Thirty Six Crores and Thirty Seven Lakhs Only</b>		

<sup>^</sup> Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Ratings: Reaffirmed

##### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of Axa Parenterals Limited (‘AXA’ or “the Company”) upto FY18, projections for FY 19-21, publicly available information and information provided by the management of the Company.

The ratings draw comfort from the promoters’ experience of more than 1 decade in their line of business activity, healthy growth in top and bottom lines in FY18, besides moderate financial risk profile .

The ratings, however, are constrained on account of vulnerability to fluctuations in the prices of raw material, client concentration risks and intense competition in the industry.

## Description of Key Rating Drivers

### Credit Strengths

- **Established track record of operations and experienced management:** AXA, incorporated in 2005, is promoted by Mr. Manoj Agarwal, having an experience of more than three decades in the field of manufacturing intravenous Fluids (IVF) in large volume & small volume parenteral (LVP & SVP) range. This has helped them to establish long term relationships with industry majors like Biocon, Abbott, Unichem, Cipla, Intas, B Braun, Cadila, amongst others
- **Strong financial risk profile:** The Company has low overall gearing (TOL/TNW ratio) of 0.69x in FY18. The overall gearing is supported by comfortable ISCR of 7.60x and DSCR of 2.58x in FY18 on account of comfortable operating profit margin (OPM) of 21.81% coupled with moderate TNW of Rs. 65.82 Crs in FY 18 vis-a-vis ISCR of 4.11x DSCR of 1.69x, gearing of 0.97x and TNW of Rs.54.88Crs in FY 17 .
- **Increase in Total Operating Income and PAT:** Total Operating Income of the company has shown substantial increase of 20.19% in FY18 and the same stood at Rs.121.11 crs against TOI of Rs. 100.83 Crs in FY17. The increase is due to enhanced orders from domestic and international clients coupled with the addition of new customer base in Venezuela. Further, the company has achieved a revenue of Rs.122.18Crs till 17 March 2019 as per the information shared by the management. PAT of the company has also improved and the same stood at Rs. 10.94Crs vis-a-vis Rs. 3.86Crs in FY 17 owing to the increase in supply of government tenders and exports which provided higher margins to the company.

### Credit Risks:

- **Moderate scale of operations in a highly competitive generic formulations industry** – The domestic generic formulation industry remains highly competitive with numerous contract manufacturers, multinational companies, as well as established domestic brands, with some of these players also enjoying a pan India presence, leading to high competition that restricts the company's pricing flexibility
- **Operations exposed to regulatory restrictions** – Operations exposed to regulatory restrictions – The operations remain exposed to regulatory restrictions in terms of pricing caps in domestic markets and product/facility approvals in export destinations. With increasing focus on exports, BWR notes that timely product and facility approval/renewal in various semi-regulated markets remain critical for growth of exports, going forward.

**Adequate liquidity** – The overall liquidity position remained comfortable, as reflected by healthy accruals against corresponding debt obligations, cushion on working capital limits, with average utilisation of ~50% for the past 6 months and moderate unencumbered cash balance.

## 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 the **Axa Parenterals Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood 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

Axa Parenterals Ltd" (APL) was incorporated on 22<sup>nd</sup> July 2005 in Delhi, and commercial operations started during Feb 2007. The Company is promoted by Mr. Manoj Agarwal & his family members and is engaged in manufacturing of Intravenous Fluids (IVF) in Large Volume & Small Volume Parenteral (LVP & SVP) Range. It is a WHO-GMP accredited company designed as per US USFDA & EU guidelines, with an ultra-modern plant, located in Roorkee, Uttarakhand with installed capacity of 50 million bottles per annum of 100 ml to 500 ml, and other 50 million vials of 5ml, 10 ml, 20 ml & 30 ml sizes with utilization capacity of ~90%

The company sells under own brand name and also undertakes contract manufacturing services for well established brands like Cipla, Biocon, Abbott, Wockhardt, Mankind Pharma etc and also through exports and government tenders. Exports are mainly to South-East Asian markets, African Continent, CIS Countries, Middle East & now aiming at Latin American Countries & Caribbean Countries.

## Rating History for the past three years

Issue	Rating Assigned 2019			Rating History			
	Amount Rated (Rs. Cr)	Tenure	Rating Assigned <sup>^</sup>	25Jan2019	2018	26Oct2017	27Apr2016
<b>Fund Based</b>							
CC	16.00	Long Term	BWR BBB (Pronounced as BWR Triple B) (Reaffirm)	Issuer did not Cooperate; Based on best available information BWR BBB (Pronounced as BWR Triple B)	NA	BWR BBB (Pronounced as BWR Triple B) Outlook:Stable	BWR BBB (Pronounced as BWR Triple B) Outlook:Stable
TL	11.87						

Non Fund Based							
ILC/FL C	7.00	Short Term	BWR A3+ ( Pronounced as Single A Three Plus ) (Reaffirm)	Issuer did not Cooperate; Based on best available information BWR A3+ ( Pronounced as Single A Three Plus )	NA	BWR A3+ ( Pronounced as Single A Three Plus )	BWR A3+ ( Pronounced as Single A Three Plus )
Letter of Guaran tee	1.50						
Total	36.37	Rs.Thirty Six Crores and Thirty seven lakhs Only					

**Status of non-cooperation with previous CRA (if applicable)-Reason and comments**

**Any other information**

**Key Financial Indicators**

Key Parameters	Units	2017	2018
		Audited	Audited
Operating Revenue	₹ Cr	100.83	121.11
EBITDA	₹ Cr	16.86	26.41
PAT	₹ Cr	3.86	10.94
Tangible Net worth	₹ Cr	54.88	65.82
Total Debt/Tangible Net worth	Times	0.97	0.69
Current Ratio	Times	1.42	1.58

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Unit](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Ashwini Mital</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<i>Director-Ratings</i>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

#### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.

#### 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.