Rating Rationale

Axa Parenterals Ltd

26th October 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.43.55 Crs of Axa Parenterals Ltd (“APL or ‘the Company”):

Particulars

Facility #	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating (March 2016)	Rating*
Fund Based Cash Credit Term Loan	13.00 29.29	16.00 20.55#	**Long Term**	**BWR BBB** (Pronounced BWR Triple B) **Outlook: Stable**	**BWR BBB** (Pronounced BWR Triple B) ***Outlook: Stable*** *Reaffirmed*
Non-Fund Based ILC/FLC Letter of Guarantee	7.00 (1.50)	5.50 1.50	**Short Term**	**BWR A3+** (Pronounced BWR **A Three Plus)**	**BWR A3+** (Pronounced BWR ***A Three Plus)*** *Reaffirmed*
Total	49.29	43.55	**(INR Forty Three Crores and Fifty Five Lakhs only)**		

#outstanding amount

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

Rating Reaffirmed:

Brickwork Ratings (BWR) has reaffirmed the ratings for the Bank Loan Facilities of Axa Parenterals Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY17, publicly available information and information/clarifications provided by the Company’s management.

The rating has factored, *inter alia*, the business experience of the promoters, modern and updated manufacturing facility in place, reputed clientele base in both domestic as well as international markets, steady improvement in operating performance, adequate financial risk profile backed by healthy capital structure and debt protection metrics and comfortable liquidity position. These strengths are partially offset by the modest scale of operations, and susceptibility to intense competition in the formulations segment.

Going forward, the ability of the company to increase the turnover levels and profitability, increase its scale of operations and manage its working capital efficiently will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Axa Parenterals Ltd** 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.

Key Rating Drivers:

Experienced Directors :-Mr. Manoj Agarwal is the founder promoter having more than 2 decades of experience in the business.

Scale of operations: The company has moderate scale of operations of Rs. 100.83 Crs in FY17 vis-à-vis Rs. 101.10 Crs in FY16.

Moderate debt-protection metrics: The company has Debt Coverage indicator at moderate level reflected by ISCR of 4.10 times and DSCR of 1.69 times in FY17.

Credit Weakness

Susceptibility to adverse regulatory changes: The players in pharmaceutical industry are exposed to adverse regulatory changes.

Analytical Approach (Wherever applicable):

Ratings have been based on the undernoted hyperlinked rating criteria.

About the Company

"Axa Parenterals Ltd" (APL) was incorporated on 22nd July 2005 wherein commercial operations started during Feb'2007. Company is promoted by Mr.Manoj Agarwal & his family members 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. A specialist in Aseptic Parenteral processing whose manufacturing facility is located at Roorkee, Haridwar, Uttarkhand 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% and currently under expansion mode.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.

Company Financial Performance

The company reported a net revenue from operations of Rs.101.10 Crores in FY16 and Rs. 100.83 Crores in FY17. Operating and net profit margins reported at 16.73 % and 3.82% in FY17 as against 15.04 % and 4.30 % in FY16. Tangible Net-worth of the company stood at Rs 54.88 Crs as on March 31,2017 . Debt Coverage indicator at moderate level reflected by ISCR of 4.10 times and DSCR of 1.69 times in FY17.

Rating History for the last three years

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs Crs)	Rating	2016 April	2015	2014
1 2	Fund Based	Long Term	36.55	**BWR BBB Outlook: Stable reaffirmed**	**BWR BBB**	NA	NA
	Non Fund Based	Short Term	7.00	**BWR A3+ reaffirmed**	**BWR A3+**	NA	NA
	Total		**43.55 (INR Forty Three Crores and Fifty Five Lakhs only)**				

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Rating Criteria for Manufacturing Companies

26th October 2017

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Annexure II
Company Financial Performance

Key Paramaters	FY15 (Audited)	FY16 (Audited)	FY17 (Audited)
Net Sales	85.85	101.1	100.83
EBITDA	14.34	15.21	16.87
PAT	2.91	4.35	3.86
Tangible Networth	46.67	51.02	54.88
Total Debt: Tangible Networth	0.87	1.00	0.76
Current Ratio	1.58	1.41	1.42

For print and digital media
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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 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

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