

Rating Rationale

Brickwork Ratings assigns 'BWR BBB' / 'BWR A3+' (Outlook: Stable) for Axa Parenterals Ltd.'s Bank Loan facilities aggregating to ₹ 49.29 Cr

Brickwork Ratings has assigned the following **Ratings¹** for Bank Loan facilities of **Axa Parenterals Ltd (APL or 'the Company')** from Punjab National Bank:

Facility	Limits (₹ Cr)	Tenure	Present Rating [^]
Fund Based	42.29	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook: Stable
Cash Credit	13.00		
Term Loan	29.29*		
Non-Fund Based	7.00	Short Term	BWR A3+ (Pronounced BWR A Three Plus)
ILC/FLC	7.00		
Letter of Guarantee	(1.50)		
Total	49.29	INR Forty Nine Crores & Twenty Nine Lakhs only	

* TL o/s as on 31.01.16. is considered for rating

BWR has principally relied upon the audited financial results upto FY15, provisional financials upto Dec'15, projected financials and information/ clarifications provided by the company's management from time to time.

The rating factors, *inter alia*, the business vintage 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. However, the rating is constrained by moderate scale of operations with limited product profile, working capital intensity with higher inventory & receivables projected, revenue generation from ongoing capex activities to be established and impact on profitability on account of cessation of benefit of excise duty & income tax post Mar'17.

Background

"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

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

vials of 5ml, 10 ml, 20 ml & 30 ml sizes with utilization capacity of ~90% and currently under expansion mode.

APL enjoys 100% Excise exemption upto Feb'2017 & 30% Income Tax Exemption upto Mar'2017 based on the location of its plant in a tax free zone. 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.

Ownership & Management

Mr. Manoj Agarwal is the founder promoter having more than 2 decades of experience in the business. The other directors are Mr. Ruchir Gupta, Sumit Kumar Agarwal & Mr.Punit Kumar Kansal. Major Shareholders are family members.

The company has its registered office located at Delhi. However manufacturing unit is located at Roorkee, Uttarkhand.

Financial Performance:

As per the audited financials for FY15, the company has reported gross revenues of ₹ 85.74 Crores (₹ 65.87 Crs in FY14), a growth of 30% over previous year and net profit of ₹ 2.91 Crores (₹ 2.65 Crs in FY14). The Net worth of the Company stood at ₹ 46.67 Crores. The company has availed both Term Loan and Working Capital facilities from Punjab National Bank. Total Debt: Tangible Networth ratio was at 0.87x and Debt Service ratios are comfortable. Company has informed of having achieved revenue of ₹ 72.64 Cr upto Dec'15.

Rating Outlook:

The company has completed a capex program in FY16, the benefit of which will be seen in the coming years. Going forward, the ability of the company to register steady growth, manage working capital, especially inventory levels more efficiently, and continue to retain profitability levels post withdrawal of tax incentives will be the key rating sensitivities.

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