Rating Rationale

Moraceae Pharmaceuticals Pvt Ltd

24th November 2017

Brickwork Ratings upgraded the long term ratings and assigns the Short term rating for the Bank Loan Facilities of Rs 7.68 Cr of Moraceae Pharmaceuticals Pvt Ltd (MPPL).

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based					
Cash Credit	5.00	5.00	Long term	BWR D	**Upgraded to BWR B** (Pronounced as BWR Single B) **Outlook - Stable**
Working Capital Term Loan**	3.49	2.43			
Term Loan	0.036	Nil			
Non Fund Based					
Bank Guarantee	Nil	0.25	Short Term	Nil	**BWR A4 (BWR A Four) Assigned**
Total	**8.52**	**7.68**	**(Rupees Seven Crores Sixty Eight Lakhs Only)**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
**Term Loan carved out of Cash credit

Long term rating upgraded and short term rating assigned

Brickwork Ratings upgraded the long term ratings to **BWR B** and assigns short term ratings of **BWR A4** for the Bank Loan Facilities of Rs.7.68 Crs of Moraceae Pharmaceuticals Pvt Ltd.

Rationale/Rating sensitivities:
The rating draws comfort from the experienced management, adequate liquidity position, moderate gearing level and healthy operating profitability margins. However the rating is constrained by decline in revenue Y-O-Y, stagnant net worth, low net profitability margin, weak coverage ratios. Going forward, ability of the company to increase its scale of operations, to improve its net worth to improve the coverage ratios, to manage its working capital efficiently and to service its debt obligations promptly would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Moraceae Pharmaceuticals Pvt Ltd 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.

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).

Key Rating Drivers:

Strengths

Experienced management: The Company's management is well qualified and experienced in Pharmaceutical industry.

Adequate liquidity position: The liquidity position of the company is adequate as reflected by current ratio of 1.29 times.

Moderate gearing level: The Company has moderate gearing with the debt equity ratio of 1.81 times in FY16.

Weaknesses

Decline in revenue: MPPL's revenue has slightly reduced from Rs 26.12 Crs in FY 15 to Rs 25.63Crs in FY 16.
Low net profitability margin: Company's net profitability margin stood at 0.10 percent.
Weak coverage ratios: Company reports weak coverage ratios with ISCR and DSCR at 1.30 times and 0.76 times respectively.
Stagnant net worth: Company's net worth is almost stagnant over the past three years.

About the Company

Moraceae Pharmaceuticals Private Limited was incorporated on 7th July 1999 in Lucknow, Uttar Pradesh. The company is engaged in the business of manufacturing & marketing of pharmaceutical formulations like Tablet, Syrup, Lotion, Capsule & Ointments. MPPL has manufacturing plant situated at A-66, Eledeco Sidcul Industrial Park, Jail Camp Road, Sitarganj, Udham Singh Nagar, Uttrakhand. Mr. Ravindra Singh and Mr. Shatrupa Singh are the Directors of the Company. The company at present has a marketing network spread across the states of Uttar Pradesh, Bihar, Uttrakhand, Jharkhand and other states. The products are sold in market through a chain of C&F agents, stockists, retailers through prescription of Doctors and are promoted by our Sales team of Medical Representatives.

Financial Performance

Revenue of the company has reduced from Rs 26.12 Crs in FY15 to Rs 25.63 Crs in FY16. Net profit has slightly increased to Rs 0.03 Crs from Rs 0.02 Crs. The company has reported ISCR and DSCR of 1.30 times and 0.76times respectively. As per provisional financials of FY 17, the firm has achieved revenue of Rs 25.07 Crs and PAT of Rs 0.11 Crs.

Key Parameters	FY 16 (Audited)	FY 15 (Audited)	FY 14(Audited)
Net Receipts (Rs in Crs)	25.63	26.12	27.77
EBITDA (Rs in Crs)	1.48	1.73	1.71
PAT (Rs in Crs)	0.03	0.02	0.02
Tangible net worth (Rs in Crs)	6.40	6.45	6.46
Total Debt: Tangible net worth	1.81 times	1.91 times	2.27 times
Current Ratio	1.29 times	1.31 times	0.97 times

Rating History for the last three years (including withdrawn/suspended ratings)

Sl... no	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount(Rs Crs)	Rating	2016	2015	2014
Fund Based				BWR B Upgraded	BWR D	Not rated	Not rated
1	Cash Credit	Long term	5.00				
2	Working capital Term Loan **		2.43				
Non Fund Based				BWR A4 Assigned	Nil	Not rated	Not rated
3	Bank Guarantee	Short Term	0.25				
Total			**7.68**	**(Rupees Seven Crores Sixty Eight Lakhs Only)**			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Manufacturing Industry
- Approach to Financial Ratios

For any other criteria obtain hyperlinks from website

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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.

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