

Rating Rationale

Brickwork ratings reaffirms rating at 'BWR BB+/A4+' for the Bank Loan facilities aggregating to ₹11.50 Cr of Pegasus Farmaco (India) Private Limited.

Brickwork Ratings has reviewed the **Ratings¹** for Bank Loan facilities of Pegasus Farmaco (India) Private Limited (PFIPL).

Facility	Previous Limits (₹ Cr)	Present Limit (₹ Cr)	Tenure	Previous Rating (Nov 2014)	Present Rating
<u>Fund Based</u> Cash Credit	11.00	11.00	Long Term	BWR BB+ (Pronounced BWR Double B plus) (Outlook: Stable)	Reaffirmed at BWR BB+ (Pronounced BWR Double B plus) (Outlook: Stable)
<u>Non-Fund Based</u> Letter of Credit	0.50	0.50	Short Term	BWR A4+ (BWR A Four Plus)	Reaffirmed at BWR A4+ (BWR A Four Plus)
Total	11.50	11.50	INR Eleven Crores and Fifty Lakhs Only		

BWR has principally relied upon the audited financials of upto FY15, projections upto FY17 and publicly available information and information/clarifications provided by the company's management.

The rating factors continues, inter alia, experience of promoters, established track record of the company, established supplier and customer base, technical collaborations with the reputed companies, widening of its geographic footprint and product portfolio, moderate financial risk profile with moderate gearing level and debt protection metrics. However, the rating is constrained by customer concentration, modest scale of operations, declined margins, stretched liquidity position marked by high inventory days, intense competition and regulatory risk associated with the pharmaceutical industry.

Background:

PFIPL is a pharmaceutical company based at Hyderabad, India. The company was incorporated in 1995 by Mr Raghuvver Beti, Ms. Neeraja Beti, Mr. Surinder Vuthoori and Ms. Indira Vuthoori. PFIPL is engaged in the manufacturing and marketing of branded and generic pharmaceutical formulations along with contract manufacturing for various clients. The company operates two manufacturing units at Roorkee, Uttarakhand (dedicated to tablets and capsules with separate Betalactum and Non Betalactum divisions) and Bhongir, Andhra Pradesh (dedicated to ointments and gels). Both the units are ISO 9001:2008 certified and meet World Health Organization Good Manufacturing Practices (WHO GMP standards).

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

The product portfolio includes wide range of formulations across all therapeutic segments (especially anti-biotic and pain management segments) in the form of capsules, tablets, syrups, drops and ointments and injectables. The company has technical collaboration with "Cipla Ltd" for manufacturing and marketing the formulations. The company has launched and promote the Cardio-diabetic products. PFIPL has successfully launched GLYCIPEG for Hypertension (HT) and Diabetes Mellitus (DM).

Financial Performance:

The revenue from operations has increased to ₹83.66 crores in FY15 from ₹78.01 crores in FY14. The operating profit has marginally declined to ₹3.50 crores in FY15 against ₹3.56 crores in FY14. The net profit has decreased to ₹0.53 crores in FY15 against ₹1.20 crores in FY14. Tangible networth of the company stood at ₹8.97 crores as on March 31, 2015.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward the ability of the company to enhance the scale of operations, improve profitability and net-worth levels, diversify the customer base and manage inventory efficiently shall be the key rating sensitivities.

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