

Rating Rationale

Brickwork Ratings assigns “BWR BB-/A4” ratings for the Bank Loan facilities aggregating to ₹ 8.33 Cr of Pharmafabrikon

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities of ₹ 8.33 Crores of Pharmafabrikon.(“The Firm”).

Facility	Sanctioned limits (₹ Cr)	Rated amount (₹ Cr)	Tenure	Rating
Fund based limits			Long Term	BWR BB- Outlook: Stable (BWR Double B Minus)
Cash Credit	5.00	5.00		
Term loan 6	0.83	0.48*		
Term loan 7	0.66	0.43*		
Term loan (Sidbi)	1.33	0.92*		
Non Fund Based Limits			Short Term	BWR A4 (BWR A Four)
Performance BG	1.00	1.00		
FBN/IBN	0.50	0.50		
Total	9.32	8.33	INR Eight Crores Thirty Three lakhs Only	

Note:* Term loan outstanding as on 29/11/2016. Repayment schedules as per bank sanction were not provided. Data on Export outstanding if any which is not realized and repatriated beyond the permissible date was not provided

BWR has essentially relied upon the audited financial of the Company up to FY16, projected financial up to FY-18, publicly available information and information/clarifications provided by the Firm’s management.

The rating draws comforts from the Partners extensive experience in Manufacturing and marketing of Pharmaceutical products, comfortable coverage ratios, low gearing profile and increased in profitability margins. However, ratings are constrained by Low net worth and low scale of operations considering long years of existence of the firm, limitation of partnership constitution and Intense competition from other players in the industry

Background:

Pharmafabrikon is a Partnership firm established in 1982. Mr.M. Lakshmanan and Mr. P. Ponrajan are the Managing Partners; and Mr.A. Gunasekaran is the other Partner of the firm.

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

Firms registered Office is Unit I located at Otthapatti. The firm also run another factory located at Vilathur, and named as “Unit II”. This Unit II is a modern, WHO GMP Certified Unit. The firm is primarily engaged in marketing of medicines in Tamilnadu & Kerala. The Second line of business is contract manufacturing of human and veterinary injections, Tablets, Capsules, Dry Powders & Oral Liquids.

The Partners of the firm have more than 3 decades of experience in manufacturing of Pharmaceutical products and they have built good relationship with their customers. Direct exports are made to Sri Lanka, Myanmar, Singapore, Egypt , Syria and UK. The firm has 213 skilled employees and 35 unskilled employees for its operation.

Financial Performance:

The revenue of the firm has increased to Rs22.49 Crs in FY 16 from Rs 17.29 in FY 15. Tangible net worth (TNW) improved from, Rs.6.50 Crs in FY15 to Rs.8.26 Crs in FY 16 . Operating and Net profit margin reflected at 11.55 and 9.04 in FY16 respectively. Low gearing profile reported from debt equity of 0.94X in FY16. Comfortable coverage ratios reported in FY16.

Rating Outlook:

The Outlook is expected to remain stable over the next one year. Going forward, the ability of the Firms to increase scale of operations and profitability margins further, to sustain the capital structure achieved, improve in liquidity position, prompt repayment of debt obligations and effectively manage its working capital cycle will be the key rating sensitives.

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