

Rating Rationale

Brickwork Ratings Reaffirms ratings of 'BWR BB+' & 'BWR A4+' to the Bank Loan Facilities of Smilax Healthcare Pvt. Ltd. amounting to ₹ 7.67 Cr

Brickwork Ratings has *reaffirmed* the following **Rating¹** for the Bank Loan Facilities of Rs.7.67 Cr to Smilax Healthcare Pvt. Ltd. (**SHPL or the 'Company'**):

Facility	Previous Limits (₹ Cr)	Existing Limits (₹ Cr)	Tenure	Previous Rating	Existing Rating
Fund Based Cash Credit	5.50	5.50	Long Term	BWR BB+ (Pronounced BWR Double B Plus)	BWR BB+ (Pronounced BWR Double B Plus)
Car Loan	0.00	0.17		Outlook - Stable	Outlook - Stable
Inland LC*	0.00	(1.35)			
Non-Fund Based Bank Guarantee	2.00	2.00	Short Term	BWR A4+ (Pronounced BWR A Four Plus)	BWR A4+ (Pronounced BWR A Four Plus)
Total	7.50	7.67	INR Seven Crores and Sixty Seven Lakhs only		

* Inland LC is the sublimit of Cash Credit.

BWR has principally relied upon the audited financial results up to FY15, projected financials of FY16, FY17 & FY18, publicly available information and information/clarification provided by the Company's management.

The ratings have factored in, inter alia, the experience of the Directors in the pharmaceutical manufacturing business for nearly a decade, reputed clientele from the pharmaceutical industry and comfortable liquidity & solvency positions. The ratings are, however, constrained by a customer concentration risk, low scale of operations, and strong competition from other players in the pharmaceutical industry.

Company Background

Smilax Healthcare Pvt. Ltd. (SHPL) is a Private Limited Company established by Mr. Mukut Goyal in 2006. The manufacturing facility is located in Solan District of Himachal Pradesh and has its registered office at Jaipur, Rajasthan. SHPL is involved in manufacturing activity as a third party manufacturer for government agencies & big pharmaceutical companies, which contributes to a major portion of its sales. It also markets pharmaceutical products under its own brands. SHPL has about 70 owned brands that are currently in production. As a third party manufacturer, the company does not have any in-house R&D facilities.

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

Financial Performance

SHPL has reported a Total Operating Income of Rs. 59 Crores in FY15 with a Net Profit margin of 2.78%, and overall gearing of 0.71. Tangible Net Worth of the Company stood at Rs. 14.79 Crores in FY15. The Operating Profit Margin of the Company stood at 5.95% in FY15.

Rating Outlook

The outlook of the Company is expected to be stable for the next year. Going forward, the Company's ability to increase its scale of operations, improve its net profit margins and manage working capital efficiently shall remain the key rating sensitivities.

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