

Rating Rationale

Stellence Pharmscience Pvt Ltd

21th Feb 2017

Brickwork Ratings reaffirms the long term rating & withdraws the short term rating for the Bank Loan Facilities of Stellence Pharmscience Pvt Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating	
	Previous	Proposed		Previous (July 2014)	Present
Fund Based			Long Term	BWR BB (Pronounced BWR Double B) Outlook:Stable Revised	BWR BB (Pronounced BWR Double B) Outlook:Stable Reaffirmed
Cash Credit	3.00	-			
Term Loan	11.00	*40.00			
Export Packing Credit	6.00	-	Short Term	BWR A4 (Pronounced BWR A Four) Reaffirmed	Rating Withdrawn
Bill Discounting	1.50	-			
Foreign Bill Discounting	1.50	-			
Non Fund Based					
Letter of Credit	1.50	-			
Bank Guarantee	0.50	-			
Total	25.00	Rs. 40.00 Crores (Rupees Forty Crores only)			

*Note: Proposed Term Loan of Rs. 40.00 Cr with IFCI

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Reaffirmed

Brickwork Ratings (BWR) reaffirms the long term rating and withdraws the short term rating for the Bank Loan Facilities of Rs. 40.00 crores of Stellence Pharmscience Pvt Ltd. which is the proposed Term Loan facilities the company wants to avail from IFCI which will be used to refinance their existing debt from a bank and NBFC. BWR has based the rating on draft terms indicated by the company, and the standard terms and conditions that would be stipulated by the lenders for such loans



Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results up to FY16, projections upto FY18, publicly available information and the information/clarifications provided by the Company.

The rating has factored the promoter's experience in pharmaceutical industry, their association with the established and reputed clientele worldwide, promoter's ability and track record of infusing funds as per the requirements of the company and technical and designing capabilities of the Company. The rating is constrained by the working capital intensive nature of operations, modest scale of operations and net profit margins, susceptibility of margins to exchange risk and exposure of the pharmaceutical industry to regulatory risks .

The rating outlook is expected to be stable over the current year. The ability of the company to achieve the targeted revenue, ability to obtain approvals on time, ability to manage inventory levels, reduction in debt and debt financing costs, efficiently manage its working capital, would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Stellence Pharmscience Pvt Ltd** business risk profile 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.

About the Company

Karnataka Chemsyn Limited (KCL) incorporated in 1992, was involved in the manufacture of Bulk Actives (API). The company turned sick due to a combination of factors including poor pricing and manufacturing efficiencies. KCL came out of BIFR during early 2010.

The company was renamed as Stellence Pharmscience Private Limited (SPPL) in 2011. SPPL is focusing into cost effective development and manufacturing of niche, high value Active Pharmaceutical Ingredients (API's) for the European and Latin American markets. The company is also into Contract Process Research and manufacturing of specific intermediates for MNC's. The company has one manufacturing unit located at Industrial Area, Jigani, Bengaluru. In the last two years the company has added reputed pharmaceutical majors like Piramal Healthcare Ltd, Piramal Enterprises Ltd, Lundbeck Pharmaceuticals Ltd, Dishman Pharmaceuticals Ltd to its customer base.

SPPL is headed by Mr. R. Ramachandran and Dr. Francis J Pinto who have over three decades of experience in Pharmaceutical Industry

Company Financial Performance

The net revenues from operations were Rs. 24.28 Cr and PAT stood at Rs. 0.36 Cr in FY16 as against Rs. 31.53 Cr and Rs. 0.11 Cr respectively in FY15. Net profit margin has improved to 1.11% in FY16 from 0.33% in FY15. The tangible net worth stood at Rs. 12.19 Crores as on March 31, 2016. Debt-equity stood at 4.07 times as on March 31, 2016.

As on 30th November 2016, the company has informed, having achieved turnover of Rs. 26.54 Cr.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Tenure	Amount (Rs Crs)	Rating	Date in 2016	Date in 2015	Date in 2014
1	Term Loan	Long Term	40.00	BWR BB	Nil	Nil	BWR BB
2	Letter of Credit	Short Term	0.00	Rating Withdrawn	Nil	Nil	BWR A4
3	Bank Guarantee	Short Term	0.00		Nil	Nil	
4	Bill Discounting	Short Term	0.00		Nil	Nil	
5	Export Packing Credit	Short Term	0.00		Nil	Nil	
6	Foreign Bill Discounting	Short Term	0.00		Nil	Nil	

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.