

Supreem Pharmaceuticals Mysore Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 13.90 Crores of Supreem Pharmaceuticals Mysore Pvt. Ltd.

PARTICULARS

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2019)	Present
Fund based	11.09	8.90	Long Term	BWR BB Stable Reaffirmed	BWR BB Stable Reaffirm
Non-Fund based	4.00	5.00	Short Term	BWR A4 Reaffirmed	BWR A4 Reaffirm
Total	15.09	13.90	INR Thirteen crores ninety lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings. RNR on 13 April, 2020.

**Complete details of Bank facilities is provided in Annexure-I & II

RATINGS: REAFFIRMED

RATING ACTION / OUTLOOK

The Rating Outlook is Stable because BWR expects that ‘Supreem Pharmaceuticals Mysore Private Limited’ financial 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

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- NA

KEY RATING DIVERS:

BWR has primarily relied upon the audited financials up-to FY19, provisionals of FY20, projected financials upto FY21, publicly available information and the information/clarifications provided by the management.

The reaffirmation of the rating has factored the stable and steady increase in the financial parameters of the company. The rating also factored the strength from the established presence of the company and extensive experience of the promoters, increase in revenue on Y-o-Y basis,

satisfactory interest coverage ratio and debt service coverage ratio of the company and established relationship with customers and suppliers. However, the ratings are constrained by moderate gearing level, moderate profitability, intense competition in the market and working capital intensive nature of operations.

DESCRIPTION OF KEY RATING DRIVERS

Credit Strengths:

- **Adequate promoters experience and customer relationship-** Company has been in the same line of business since 1985. Adequate experience of the management in the pharma industry for more than 3 decades who understands the market dynamics and has an established relationship with customers & suppliers.
- **Improved Revenue-** Increase in revenue from Rs. 47.40 Cr in FY18 to Rs. 57.32 Cr in FY 19. In FY 21 the company is expecting revenue of Rs. 65.70 Cr approx. as sales in the pharma sector has increased for the company.
- **Satisfactory Coverage ratios-** ISCR is moderate at 1.83 times in FY19 showing adequate interest repayment capacity of the company. DSCR is more than 1 i.e. 3.70 in FY 19 showing high commitment towards the scheduled payments.
- **Profitability margins-** Improved Net profit margin (3.80%) and operating profit margin (9.71%) in FY 19. Net profit margin and Operating profit margin stands at 6.53% and 10.10% times as per FY 20 provisional.
- **Satisfactory gearing-** Gearing ratio i.e. Total debt/ TNW decreased to 0.80 times in FY 19 compared to 1.19 times in FY 18.
- **Geographical diversification-** The locational advantage of the unit and expansion of geographical dimension in India and in the US.

Credit Risks:

- **Financial risk-** On a provisional basis, the company has reported revenue of Rs. 48.54 Cr for FY 20 as compared to FY 19 because of the economic slowdown. Moderate TOL/ TNW of 1.61 times in FY 19 as compared to 2.30 times in FY 18.
- **Regulated market-** Business operations are exposed to high regulations imposed by the government on product quality, prices and patent rights, increased sensitivities towards product performance, etc.
- **Exposure to foreign currency fluctuation risk-** Exposure to foreign currency fluctuation risk as the company has no hedging policy.
- **Highly competitive-** High competition from many organized and unorganized players in the vicinity.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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).



RATING SENSITIVITIES

Going forward, the ability of the company to further increase its scale of operations by improving its profitability margins, improve in financial profile, as usual maintaining its debt obligations, developments in formulation processes and efficiently managing its working capital will be the key rating sensitivities.

Positive: The ratings may be upgraded if profitability, liquidity, gearing and overall credit profile show substantial improvement.

Negative: The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company from its current level.

LIQUIDITY POSITION: Stretched

The company has a liquidity profile, driven by a current ratio of 1.13 times in FY19 as compared to FY 18. The working capital utilization is moderate and Cash and Cash Equivalents stand at Rs 0.17 Crs for FY 19 audited.

COMPANY PROFILE

Suprem Pharmaceuticals Mysore Pvt. Ltd. is ISO- HACCP 9001:2015, WHO- GMP, FSSAI, EZ Kosher and Indonesian HALAL certified. It is one of the leading manufacturers of wide range bulk stabilized vitamins, Tasteless Mineral, nutraceuticals, herbal extracts and food supplements. It was incorporated in 1985 by Mr. S.N. Rao in Mysore, Karnataka. It has also undergone two successful audits under the US FDA. The company has a pan-India presence and exports to the United States and to various European & Asian countries. It has purchased the most sophisticated Equipment Hammer Mill with Mimi-Efficient Pulverizer from China. It is also upgrading its Q.C. Lab to the international level. Its Current areas of focus include microencapsulation, clinical studies and herbal formulations. It has its presence in Nanjangud, Karnataka, Pune, Kathmandu and Los Angeles. The company is having 3 units -

- Pharma and Nutraceutical Plant
- Herbal Extraction Plant
- Herbal Extraction Plant & R&D Centre

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	In Crores	57.32	47.40
EBITDA	In Crores	5.57	3.99
PAT	In Crores	2.18	1.30
Tangible Net worth	In Crores	11.54	9.39
Total Debt/Tangible Net worth	In Times	0.80	1.19
Current Ratio	In Times	1.13	1.04

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY- NA*

ANY OTHER INFORMATION- Nil

RATING HISTORY FOR LAST THREE YEARS (including withdrawn/suspended ratings)

Instrument /Facility	Current Rating			Rating History		
	Type (Long Term)	Amount (Rs. Crs)	Rating	09.04.2019	20.02.2018	2017
Fund Based	Long term	8.90	BWR BB Stable Reaffirm	BWR BB Stable Reaffirm	BWR BB Stable Upgraded	---
Non Fund Based	Short Term	5.00	BWR A4 Reaffirm	BWR A4 Reaffirm	BWR A4 Reaffirm	---
Total		13.90	INR Ten Crores Only			

*RNR on 13 April, 2020. Rating BWR B+/ A4 Stable assigned on 25 Feb, 2014 for BLR of Rs. 7.89 Crs.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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Supreem Pharmaceuticals Mysore Pvt Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term [Rs Cr]	Short Term [Rs Cr]	Total [Rs Cr]
State Bank of India	Fund Based Cash credit*	7.00	--	8.90
	CECL	0.70		
	GECL	1.20		
	Non- fund based Letter of credit	--	5.00	5.00
TOTAL				13.90

Total Rupees Thirteen crores ninety lakhs Crores Only



ANNEXURE II

Details of instruments (NCD/Bonds/CP)

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NA	NA	NA	NA	NA	NA

ANNEXURE III

List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA

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