



Rating Rationale

Susaah Laboratories Private Limited

15 May 2018

Brickwork Ratings reaffirms the ratings of 'BWR BB-/A4 (Outlook: Stable)' for the Bank Loan Facilities of Rs. 9.78 Crore of Susaah Laboratories Private Limited

Particulars

Facilities Rated	Amount (Rs. Crs)		Tenure	Ratings*	
	Previous	Present		Previous	Present
Fund Based OCC/ODBD Term Loan	4.25 2.74	4.25 1.83 [#]	Long Term	BWR BB- (Pronounced <i>BWR Double B Minus</i>) Outlook: Stable	BWR BB- (Pronounced <i>BWR Double B Minus</i>) Outlook: Stable Reaffirmed
Non Fund Based ILC/FLC	3.70	3.70	Short Term	BWR A4 (Pronounced <i>BWR A Four</i>)	BWR A4 (Pronounced <i>BWR A Four</i>) Reaffirmed
Total	10.69	Rs. 9.78 Crore (Rupees. Nine Crore Seventy Eight Lakh Only)			

[#]Term Loan Outstanding as on 8th May 2018

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

Rating: Brickwork Ratings reaffirms the Long Term rating of *BWR BB-* (Outlook: Stable) and Short Term Rating of *BWR A4* for the Bank Loan Facilities of Rs. 9.78 crore of Susaah Laboratories Private Limited.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the company's management.

The ratings continues to factor the extensive experience of promoters and management in Pharmaceutical industry, established operational track record, diversified product portfolio and long standing relations with the customers and suppliers. However, the ratings continues to be constrained by modest scale of operations, average financial risk profile, intense competition from both organized and unorganized players in a fragmented industry, regulatory risks inherent in the pharmaceutical industry and working capital intensive nature of operations.



Going forward, ability of the company to improve its scale of operations, to improve its profitability, to strengthen its financial risk profile and to manage its working capital efficiently will be the key rating sensitivities.

Key Rating drivers

Credit Strengths

- SLPL's management has extensive experience in Pharmaceutical industry which helps in complete understanding of the business and build relationship with suppliers and customers.
- The company has established operational track record and has long standing relationship with reputed Pharmaceutical companies, namely, Hetero Drugs Limited, Dr. Reddy's Laboratories Limited, Jubilant Life Sciences Limited, Sai Life Sciences Limited, Honour Lab Limited, etc.
- SLPL has diversified Therapeutic product portfolio namely Antibacterial, Antifungal, Antiulcerative, Antihypertensive, etc.

Credit Weaknesses

- SLPL's scale of operations are modest and inconsistent with an average financial risk profile reflected with deterioration in Debt servicing, stretched cash conversion cycle on account of elongated Days Receivable and Days Payable, volatility in profitability margins.
- Intense competition in the domestic formulations and APIs business impacts the pricing flexibility. The company will continue to face regulatory risk in terms of policy changes from various regulatory bodies.
- High working capital requirement due to nature of business operations.

Analytical Approach

For arriving at its ratings, Brickwork Ratings has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

Brickwork Ratings believes that **Susaah Laboratories Private Limited's** ('SLPL' or 'the company') business risk profile will be maintained over 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

Susaah Laboratories Private Limited ('SLPL' or 'the company'), was incorporated in August 2007 at Secunderabad, Telangana. SLPL is engaged in manufacturing of Antibiotic, Antihyperlipidemic, Antacid, Antiadrenergic drugs as well as Active Pharmaceutical Ingredients (APIs). SLPL has its manufacturing facility at APIIC Industrial Park, Nadikudi village, Dachepalli mandal, Guntur district, Andhra Pradesh. The company generate majority of its revenue in the form of exports to countries in Europe, Middle East, USA, Latin America, etc. SLPL's reputed clientele include, Hetero Drugs Limited, Dr. Reddy's Laboratories Limited, Jubilant Life Sciences Limited, Honour Lab Limited, etc.

Financial Performance

SLPL's revenue has declined to Rs. 12.38 crore with a net profit of Rs. 0.43 crore in FY17 as against Rs. 18.15 crore with a net profit of Rs. 1.35 crore in FY16. Tangible net worth was Rs. 10.66 crore as on 31st March 2017. On a provisional basis, the company reported a revenue of around Rs. 13.50 crore in FY18.

Key Financial Parameters

(Rs. Crore)		FY16	FY17
		Audited	Audited
Revenue	Rs. Cr	18.15	12.38
EBIDTA	Rs. Cr	3.16	2.85
Profit After Tax	Rs. Cr	1.35	0.43
Tangible Net worth	Rs. Cr	9.96	10.66
Total Debt : Tangible Net worth	Times	1.13	1.22
Current Ratio	Times	1.26	1.35

Rating History for the last three years

Sl. No.	Instrument/ Facilities	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs. Cr)	Ratings	2017' (20 th Jan 2017)	2016	2015
1	OCC/ODBD	Long Term	4.25	BWR BB- (Outlook: Stable) <i>Reaffirmed</i>	BWR BB- (Outlook: Stable) <i>Assigned</i>	-	-
2	Term Loan		1.83 [#]			-	-
3	ILC/FLC	Short Term	3.70	BWR A4 <i>Reaffirmed</i>	BWR A4 <i>Assigned</i>	-	-
Total			Rs. 9.78 Crore (Rupees. Nine Crore Seventy Eight Lakh Only)				

Term Loan Outstanding as on 8th May 2018

1 Amount Rated: Rs. 10.69 Crore

Status of Non-Cooperation with Other CRA: CRISIL Ratings has revised the rating to 'CRISIL B+ (Outlook: Stable) ISSUER NOT COOPERATING' on 10th October 2017 for the bank loan facilities of Rs. 8.00 crore.

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media
K Venkateswara Raju Head – MSME Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	



For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.