



## Rating Rationale

Vibrant Pharmachem Pvt Ltd

24 Apr 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 4.00 Crores of Vibrant Pharmachem Pvt Ltd.

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	4.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Total	4.00	INR Four Crores Only	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial statements upto FY17, provisional financial statements (April 1st 2017 to December 31st 2017) and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experienced management in the Pharmaceutical Industry, reputed client base and moderate debt protection metrics . However, the rating is constrained by company's low net worth, thin net profit margins, working capital intensive nature of operations and low current ratio

Going forward, the ability of the firm to increase its operating margins, profitability and manage its working capital efficiently will be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Experienced Management:** The directors of the company Mr.Srinivasa Rao and Ms.Swarna Lakshmi have more than a decade experience in the industry of pharma and manufacturing of bulk drug intermediates
- **Reputed Client Base:** The company is in collaboration with top pharma companies such as Piramal Enterprises, CIPLA, Conier Pharma Pvt Ltd etc.;



- **Moderate ISCR and DSCR :** ISCR and DSCR levels stood at 2.76 and 1.53 times respectively in FY17

#### **Credit Risks:**

- **Low Tangible Net Worth:** Tangible net worth is very low at Rs.0.30Cr.
- **High Gearing Ratio:** High level of Gearing which was at 22.47 times in FY17
- **Working Capital Intensive nature of Operations:** High days of inventory at 138 days and 109 days in FY16 and FY17 respectively due to working capital intensive nature of operations
- **Thin Net Profit Margins:** Due to high cost of raw materials and also the company has limited ability to pass on the increase in raw material prices to its customers
- **Moderately low current Ratio:** The current ratio of the company is at 1.17 times in FY17 which is on the lower side. This could possibly lead to liquidity crunch.

#### **Analytical Approach**

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 Outlook: Stable**

BWR believes the **Vibrant Pharmachem 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**

Vibrant Pharmachem Pvt Ltd is a pharmaceutical company incorporated in 2011. It is located in Raichur, Karnataka. Vibrant Pharmachem is established to cater to the needs of growing bulk intermediates, actives and custom synthesized target molecules and long term contract manufacturing. The company develops and supplies target molecules exclusively for clients under non disclosure agreement. The site is built over 2 acres/8093 Sq metres of area in Raichur industrial zone, Karnataka. It is situated 180 km off Hyderabad with easy and regular availability of dry ice, liquid nitrogen in cryo cans, solvent supplier and other essential infrastructures. The R&D lab is spread over 1000 sq feet area. Kilo Lab has SS and glassline reactors with capacity ranging from 25 litres to 500 litres. Operating temperature ranges from -25 degrees to 140 degrees. Company has a total of 12 reactors with both GLR and SS reactors in place. The company is also in the process of further expansion by adding more reactors. The company manufactures API intermediates which are used for manufacturing Anti-fungals, anti HIV and anti cancer target molecules. The company has tie ups with companies like Piramal



Enterprises and CIPLA to manufacture anti fungal target molecules. Company also exports its products to China U.K for renowned companies such as G.SK and Conier Pharma Ltd

### Company Financial Performance

The company reported a net revenue from operations of Rs.24.73Cr in FY17 and Rs.18.04Cr in FY16. Net profit margin reported at 1.89% in FY17. Tangible net worth stood at Rs.0.30Cr as at the end of March 31, 2017

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Cash Credit	Long Term	4.00	<b>BWR B+ (Outlook: Stable)</b>	NIL	NIL	NIL
	<b>Total</b>		<b>4.00</b>	<b>₹Four Crores Only</b>			

### Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	24.73	18.04
EBITDA	₹ Cr	1.61	1.39
PAT	₹ Cr	0.47	0.11
Tangible Net worth	₹ Cr	0.30	-0.34
Total Debt/Tangible Net worth	Times	22.47	-16.91
Current Ratio	Times	1.17	1.02

### Hyperlink/Reference to applicable Criteria

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



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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

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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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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