

Rating Report

Brickwork Ratings assigns “BWR BB/A4” for the existing and proposed Bank Loan facilities aggregating to Rs.20.40 Cr of Aprica Pharmaceuticals Pvt Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the existing and proposed Bank Loan Facilities of Rs. 20.40 Cr of **Aprica Pharmaceuticals Pvt Ltd.** (“APPL” or “the Company”):

Facilities	Amount (Rs. Cr)		Tenure	Rating ¹
	Existing	Proposed		
Fund Based				
Cash Credit	16.00	20.00	Long Term	BWR BB (Pronounced BWR Double B) Outlook Stable
EPC/PCFC/FBD/EBR/EB D (Sub-limit of Cash Credit)	(4.50)	(5.00)		
Non-Fund Based				
Credit Exposure Limit	0.40	0.40	Short Term	BWR A4 (Pronounced BWR A Four)
Total	16.40	20.40	(INR Twenty Crores Forty Lakhs Only)	

BWR has essentially relied upon the audited financial results of the company up to FY15, projections up to FY17, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experience of the promoters in the pharmaceutical industry, reputed suppliers, Y-O-Y increase in scale of operations, consistent increase in profitability and growing export prospects in semi regulated countries. However, the ratings are constrained by working capital intensive nature of operations, high competition prevailing in the formulation drugs market, and inherent regulatory risks faced by the pharmaceutical sector.

Background:

The Aprica Pharmaceuticals Pvt Ltd, an ISO 9001:2008 certified company, was incorporated in August 2011 as a private limited company and commercial operations were started in October 2012.

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

APPL is promoted by Mr. Jitendrakumar D Rokad and Mr. Mehul Rasikbhai Bhimani. The company is engaged in sales and marketing of medicines for cardiac and diabetic ailments under its own brand names such as Atorica, Tel-Cad, Lifenox, Apacal D etc.

The company has started a new division called “Prism” which is dealing in Anti-Infective, Gastro Intestinal, Vitamins/Minerals/Nutrients, Gynecological therapy. The company have no production facilities of their own and get them manufactured in third party factories. Company has license from Food & Drug Control Administration to sell or distribute by wholesale drugs.

Ownership and Management:

Company's promoter directors are Mr. Jitendrakumar D Rokad and Mr. Mehul Rasikbhai Bhimani. Mr. Jitendrakumar D Rokad is a qualified Pharmacist and having more than 2 decades of experience in the pharmaceutical industry.

Financial Performance:

As per audited financials for FY 15, the company has reported net sales of ₹ 74.91 Cr and operating profit margin 6.65% against ₹ 56.13 Cr and 6.65% in FY 14, registering a growth of 33%. Company's net profit margin has increased over last two years and PAT was at ₹ 2.42 Cr in FY 15. The tangible net worth stood at ₹ 21.35 Cr and Debt-equity stood at 0.96x as on March 31, 2015. However if the deferred expenses (Service charges) of Rs. 11.27 Cr is adjusted against net worth, the tangible net worth will come down and Debt Equity ratio will increase. The company's borrowing is by way of Cash Credit facilities from State Bank of India. In addition, there is a term loan from Kotak Mahindra Bank Ltd.

The company has informed of having achieved revenues of ₹ **41.14 Cr** for the half year ended 30 September 2015.

Credit Risk Assessment:

Sales Growth:

The company's revenue has increased consistently over the last 3 years. Most of the exports are to African and Asian developing countries. These countries also are aggressively targeted by small to medium sized exporters, increasing the level of competition.

Regulatory Risks:

The company does not have own manufacturing facilities and gets it done at third party sources. Pharmaceutical industry is a highly regulated industry with lot of emphasis on quality and standards. Hence, it is important for the company to ensure that they comply with all the quality and regulatory requirements.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward, ability of the company to innovate, sustain and improve its revenue, manage profit margins and meet its projections would be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Aprica Pharmaceuticals Pvt Ltd.

Annexure I: P&L Account

Profit and Loss Account			
	FY 13	FY 14	FY 15
	Audited	Audited	Audited
Net Sales	22.60	56.13	74.91
Other Operating Income	0.00	0.00	0.00
Total Operating Income	22.60	56.13	74.91
Raw Material Consumed	15.99	37.84	52.49
Change In Inventory (Increase)/Decrease	-9.05	-4.05	-5.58
Power and Fuel Expenses	0.00	0.04	0.06
Employee Cost	4.33	6.35	7.11
Cost of Goods Sold	11.27	40.18	54.08
Selling, General and other Administrative expenses	9.54	12.22	15.85
Operating Expenses	20.81	52.40	69.93
OPBDIT	1.79	3.73	4.98
Depreciation/Amortization/Impairment	0.14	0.11	0.20
OPBIT	1.65	3.62	4.78
Interest and Finance Charges	0.90	1.60	2.50
OPBT	0.76	2.03	2.28
Non Operating Income(Expenses)	0.01	0.00	0.20
PBT	0.76	2.03	2.48
Provision for Taxes	0.24	0.40	0.03
PAT	0.52	1.63	2.45

Aprica Pharmaceuticals Pvt Ltd

Annexure II: Balance Sheet

Balance Sheet			
Crores	FY 13	FY 14	FY 15
	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	2.55	16.54	21.37
Share capital	0.30	3.75	15.30
Share Application money Pending allotment	0.00	9.00	0.00
Reserves and Surplus	2.25	3.79	6.07
Non-current liabilities	7.56	3.42	3.45
Long-Term Borrowings	7.55	3.42	3.45
Current liabilities	11.25	14.05	39.72
Short-Term Borrowings	4.92	7.12	17.07
Current Portion Of Long Term Debt	0.00	0.00	0.00
Trade Payables	5.81	6.19	22.16
Other Current Liabilities	0.14	0.22	0.27
Short-Term Provisions	0.38	0.53	0.22
Total Liabilities	21.36	34.01	64.53
ASSETS			
Non-current assets	5.69	11.58	14.46
Net Fixed assets	0.61	0.55	0.58
Deferred Tax Assets (Net)	0.00	0.00	0.03
Other Non Current Assets*	5.08	11.00	13.84
Current assets	15.67	22.44	50.08
Current Investments	0.00	0.03	0.03
Inventories	9.70	13.75	19.33
Trade Receivables < Six Months	4.72	6.16	24.43
Cash and Cash Equivalents	0.20	0.31	0.67
Short-Term Loans and Advances	1.05	2.19	5.63
Total Assets	21.36	34.01	64.53

Aprica Pharmaceuticals Pvt Ltd
Annexure III: Key Financial Ratios

Key Financial Ratios				
Crores		FY 13	FY 14	FY 15
		Audited	Audited	Audited
Total Debt	Crores	12.47	10.54	20.52
Total Debt (Analyzed)	Crores	5.76	7.87	19.93
Tangible Net Worth	Crores	2.55	16.51	21.35
Tangible Net Worth (Analyzed)	Crores	9.27	19.18	21.94
Capital Employed	Crores	15.02	27.05	41.84
Total Debt/TNW	Times	4.89	0.64	0.96
Total Debt/TNW(Analyzed)	Times	0.62	0.41	0.91
Long Term Debt/TNW	Times	2.96	0.21	0.16
TOL/TNW	Times	4.74	0.90	1.99
ISCR	Times	2.00	2.34	1.99
DSCR	Times	1.74	1.25	1.72
DSCR(Analyzed)	Times	1.74	0.67	0.72
Net Cash Accruals/Total Debt	Times	0.05	0.16	0.13
Net Profit Margin	%	2.32	2.90	3.27
Operating Profit Margin	%	7.92	6.65	6.65
ROCE	%	11.00	17.22	13.89
Current Ratio	Times	1.39	1.60	1.26
Days Receivables	Days	76	35	74.51
Days Inventory	Days	314	107	111.63
Days Payable	Days	108	49	88.65
Conversion Cycle	Days	282	92	97.49