Rating Report

Brickwork Ratings assigns ‘BWR BB-’ & ‘BWR A4’ for the Bank Loan Facilities aggregating ₹ 8.80 Cr of Astam Healthcare Pvt. Ltd.

Brickwork Ratings has assigned following **Ratings**[1] for the bank loan facilities of Astam Healthcare Pvt. Ltd. *(AHPL or the ‘Company’).*

Facility	Limits (₹ Cr)		Tenure	Rating
	Existing	Proposed		
Fund Based				
Cash Credit	**2.00**	**4.00**	**Long Term**	**BWR BB-** (Pronounced Double B Minus) **(Outlook: Stable)**
Term Loan	**1.00**	**1.50**		
SLC	**0.30**	**0.30**		
Non Fund Based				
Letter of Credit	**1.00**	**3.00**	**Short Term**	**BWR A4** (Pronounced A Four)
Total	**4.30**	**8.80**	**INR Eight Crores Eighty Lakhs only.**	

The rating, inter alia, factors the promoter’s experience in the pharmaceutical industry, improvement in sales up to Q3FY14 compared to FY13, moderate gearing and debt protection metrics and reputed list of clientele. However, the rating is constrained by the working capital intensive nature of operations marked by elongated cash conversion cycle, and above average utilization of working capital limits; small scale of operations in the intensely competitive industry and susceptibility of the industry to regulations and policy actions.

BWR has essentially relied upon audited financial results up to FY13, publicly available information and information provided by the management.

Background:

Astam Healthcare Pvt Ltd (AHPL) was incorporated in the year 2002. The Company is involved in manufacture of pharmaceutical formulations packed in capsules, tablets and syrups. The Company is a contract manufacturer of pharmaceutical formulations. The company is promoted by four directors namely Rajendra Kumar Verma, Mahender Verma, Subhkaran Verma & Manoj Kumar Verma.

AHPL's manufacturing unit is located at Solan District in Himachal Pradesh. The Company has both beta lactum formulation and non-beta lactum formulation manufacturing unit at the same premises. From January 2012, the Company has also been trading in special grade aluminum foil, used in the pharmaceutical packaging industry.

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

Financial Performance:
During FY13, AHPL reported net revenue from operations of ₹ 9.13 Crores as against net revenue from operations of ₹ 13.48 Crores for FY12. The firm's profitability is moderate with an operating profit margin of 15.00 per cent and net profit margin of 2.00 per cent for FY13. Current ratio stands at 1.39 times as on 31.03.2013. As of FY13, the firm's tangible net-worth is ₹ 4.76 Crores and the long-term debt to equity ratio is 0.57 times.

Rating Outlook:
AHPL's performance over the next year is expected to be stable. Going forward, the firm's ability to register consistent growth in turnover with optimal capacity utilization and efficient management of working capital by optimizing significant day's receivables will be the key rating sensitivities.

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Annexure I		
Profit and Loss Statement		
Astam Healthcare Pvt. Ltd.		**In ₹ Crores**
	31-03-2012 (Audited)	**31-03-2013 (Audited)**
Gross Sales	13.47	9.07
Net Sales	**13.47**	**9.07**
Other Operating Income	0.01	0.06
Total Operating Income	**13.48**	**9.13**
Operating Expenses	**11.57**	**7.76**
Operating Profit Before Depreciation, Interest and Taxes	**1.92**	**1.37**
Depreciation	0.42	0.47
Operating Profit Before Interest and Tax	**1.49**	**0.90**
Interest and Finance Charges	0.77	0.67
Operating Profit Before Tax	**0.72**	**0.23**
Non- Operating Income(Expenses)	-	0.05
Profit Before Tax	**0.72**	**0.28**
Provision for Taxes	0.11	0.06
Profit After Tax	**0.62**	**0.22**

Annexure II		
Balance Sheet		
Astam Healthcare Pvt. Ltd.		**In ₹ Crores**
	31-03-2011 (Audited)	**31-03-2012 (Audited)**
EQUITY AND LIABLITIES		
Equity & Reserves	**4.60**	**4.76**
Share capital	0.49	0.49
Reserves and Surplus	4.11	4.27
Non-current liabilities	**3.27**	**2.95**
Long-Term Borrowings	3.08	2.70
Deferred tax Liabilities (Net)	0.19	0.25
Current liabilities	**4.81**	**5.46**
Short-Term Borrowings	1.38	1.78
Trade Payables	3.26	3.56
Other Current Liabilities	0.16	0.10
Short-Term Provisions	0.01	0.02
Total Liabilities	**12.68**	**13.17**
ASSETS		
Non-current assets	**5.95**	**5.61**
Net Fixed assets	5.95	5.61
Current assets	**6.73**	**7.56**
Inventories	2.22	3.58
Trade Receivables > Six Months	3.57	0.10
Trade Receivables < Six Months	0.15	3.08
Cash and Cash Equivalents	0.23	0.15
Other Current Assets	0.56	0.65
Total Assets	**12.68**	**13.17**

Annexure III			
Key Financial Ratios			
Astam Healthcare Pvt. Ltd.			
		31-03-2012	**31-03-2013**
Total Debt/ Tangible Net worth	Times	0.97	0.94
Tangible Net Worth	Crores	4.60	4.76
Operating Profit Margin	Per cent	14%	15%
Net Profit Margin	Per cent	5%	2%
Net Cash Accruals/Total Debt	Times	0.26	0.17
ROCE	Per cent	16%	10%
Current Ratio	Times	1.40	1.39

(Note: The ratios are as per BWR calculation)