

Rating Report

Brickwork Ratings has upgraded ratings to 'BWR BB' for Long term Bank Loan Facilities and Reaffirmed rating at 'BWR A4' for the short term bank loan facilities of Astam Healthcare Pvt Ltd.

Brickwork Ratings has upgraded/reaffirmed the following **Ratings¹** for the bank loan facilities of Astam Healthcare Pvt Ltd ('AHPL' or 'the company').

Facility	Previous (₹ Cr)	Present (₹ Cr)	Tenure	Rating	Rating History
Fund Based: Cash Credit	4.00	4.00	Long Term	BWR BB (Pronounced BWR Double B (Outlook-Stable))	BWR BB- (Pronounced BWR Double B Minus) (Outlook-Stable) (Jan, 2014)
Fund Based: SLC	0.30	0.50			
Fund Based: Term Loan	1.50	0.76			
Non - Fund Based: Letter of Credit	3.00	4.50	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) (Jan, 2014)
Total	8.80	9.76	INR Nine Crores and Seventy Six Lakhs Only		

BWR has principally relied upon the audited financials from FY 12 to FY14 , estimates for FY15 and projections for FY16 of Astam Healthcare Pvt Ltd ("AHPL" or "the Company"), publicly available information and information/clarifications provided by the Company's management.

The rating factors in the promoters experience in pharmaceutical industry, substantial increase in revenue for FY 14, established relationship with customers and suppliers, moderate gearing and debt protection metrics and improved cash conversion cycle. However ratings are constrained by, moderate scale of operations, low net-worth, declining profit margins, and high degree of competition in the sector.

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. AHPL's manufacturing unit is located at Solan District in Himachal Pradesh. . The company is

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

promoted by four directors namely Rajendra Kumar Verma, Mahender Verma, Subhkaran Verma & Manoj Kumar Verma.

Financial Performance:

The company has reported gross sales of ₹ 21.58 crores in FY 14 against ₹ 9.07 crores in FY 13. It has registered net profit of ₹ 0.46 crores in FY 14, as against net profit of ₹ 0.22 crores in FY 13. Tangible net worth of the Company stood at ₹ 5.16 crores as on 31 Mar 2014. As informed by the management the company has achieved turnover of Rs. 22.80 crores in FY 15.

Credit Risk Determinants :

The promoters of the company has vast experience in the pharmaceutical industry and the company is in existence from last 13 years. When compared to FY 13 turnover the company has shown substantial improvement in turnover for FY 14, which is a good sign. The promoters has infused funds in the form of unsecured loan in FY 14. The company has established relationships with the customer and suppliers. The company is moderately leveraged with debt equity of 1.30 times and with moderate debt protection metrics of ISCR 2.53 times in FY 14. The company's cash conversion cycle has improved to 58 days in FY 14 as against 112 days in FY 13.

The company's has moderate scale of operations and low tangible net-worth. Customer concentration risk is high, as major 6 customers contributes more than 97% of revenue out of total revenue. The Company faces intense competition from reputed players in the pharmaceutical sector so, sustaining market position is a big challenge.

Rating Outlook

Astam Healthcare Pvt Ltd's performance over the next year is expected to be stable. Going forward, Company's ability to increase the turnover and profitability margins, increase the capacity utilization, manage liquidity and improve the net-worth levels would be the key rating sensitivities.

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Annexure 1: Profit & Loss Account
Astam Healthcare Pvt Ltd

Crores	FY12	FY 13	FY 14
Result Type	Audited	Audited	Audited
Gross Sales	13.47	9.07	21.58
Net Sales	13.47	9.07	21.58
Other Operating Income	0.01	0.06	0.00
Total Operating Income	13.48	9.13	21.58
Operating Expenses	11.57	7.74	19.68
OPBDIT	1.92	1.39	1.89
Depreciation/Amortization/Impairment	0.42	0.47	0.51
OPBIT	1.49	0.92	1.38
Interest and Finance Charges	0.77	0.67	0.75
OPBT	0.72	0.26	0.63
Non Operating Income(Expenses)	0.00	0.05	0.00
PBT	0.72	0.30	0.63
Provision for Taxes	0.11	0.08	0.17
PAT	0.62	0.22	0.46

**Annexure 2: Balance Sheet
Astam Healthcare Pvt Ltd**

Crores	FY12	FY 13	FY 14
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	4.60	4.76	5.16
Share capital	0.49	0.49	0.49
Reserves and Surplus	4.11	4.27	4.67
Non-current liabilities	2.58	2.26	4.12
Long-Term Borrowings	2.39	2.01	3.82
Deferred tax Liabilities (Net)	0.19	0.25	0.31
Current liabilities	5.50	6.15	11.01
Short-Term Borrowings	1.38	1.78	2.90
Current Portion Of Long Term Debt	0.69	0.69	0.00
Trade Payables	3.26	3.56	7.86
Other Current Liabilities	0.16	0.10	0.12
Short-Term Provisions	0.01	0.02	0.14
Total Liabilities	12.68	13.17	20.30
ASSETS			
Non-current assets	5.95	5.61	6.01
Net Fixed assets	5.95	5.61	6.01
Long Term Loans and Advances	0.00	0.00	0.00
Long Term Trade Receivables	0.00	0.00	0.00
Current assets	6.73	7.56	14.29
Current Investments	0.00	0.00	0.41
Inventories	2.22	3.58	4.49
Trade Receivables > Six Months	3.57	0.10	0.11
Trade Receivables < Six Months	0.15	3.08	8.14
Cash and Cash Equivalents	0.23	0.15	0.41
Short-Term Loans and Advances	0.00	0.00	0.01
Other Current Assets	0.56	0.65	0.72
Total Assets	12.68	13.17	20.3

**Annexure 3: Key Financial Ratio's
Astam Healthcare Pvt Ltd**

Crores	FY12	FY 13	FY 14
Result Type	Audited	Audited	Audited
Long Term Borrowings	2.39	2.01	3.82
Short Term Borrowings	1.38	1.78	2.90
Current Portion Of Long Term Debt	0.69	0.69	0.00
Total Debt	4.47	4.48	6.71
Total Debt (Analyzed)	3.46	3.47	4.38
Tangible Net Worth	4.60	4.76	5.16
Tangible Net Worth (Analyzed)	5.61	5.78	7.49
Capital Employed	9.26	9.50	12.19
Total Debt/TNW	0.97	0.94	1.30
Total Debt/TNW(Analyzed)	0.62	0.60	0.58
Long Term Debt/TNW	0.52	0.42	0.74
TOL/TNW	1.54	1.55	2.48
ISCR	2.48	2.09	2.53
DSCR	2.34	1.00	1.20
DSCR(Analyzed)	2.34	0.89	0.87
Net Cash Accruals/Total Debt	0.26	0.17	0.16
Net Cash Accruals/Long Term Debt	0.48	0.38	0.27
Net Cash Accruals/Long Term Debt(Analyzed)	0.83	0.76	0.70
Net Profit Margin	4.57	2.41	2.14
Operating Profit Margin	14.21	15.24	8.78
ROCE	16.15	9.83	12.74
Current Ratio	1.22	1.23	1.30
Days Receivables	101	139	97
Days Inventory	73	143	77
Days Payable	121	170	116
Conversion Cycle	53	112	58