April 10, 2017

ANG LifeSciences India Limited

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based Limits	11.00	[ICRA]B (Stable); assigned
Non fund-based Limits	6.00	[ICRA] A4; assigned
Total	**17.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]B (pronounced as ICRA B) to the Rs 11.00-crore fund-based facilities of ANG Lifesciences India Limited (ALIL). ICRA has also assigned the short-term rating of [ICRA] A4 (pronounced as ICRA A four)[1] to the Rs. 6.00-crore non-fund based facilities of ALIL. The outlook on the long-term rating is 'Stable'.

Rationale

The assigned ratings take into account the modest financial profile of the company as reflected in the moderate scale of operations, low net worth, high gearing and working capital intensive operations. Moreover, the company in FY2015 started marketing its own products via consignment stockiest, which led to a decline in the operating margin in FY2015 and FY2016 due to high initial marketing costs. ICRA also takes cognizance of the concentrated customer base, as substantial portion of revenues are being derived from the top three customers. The ratings further takes into account the high utilisation of bank limits in the recent past as well as the high repayment obligation, which might put pressure on the liquidity in the near to medium term.

However, the ratings positively factor in the robust CAGR growth of 69% in FY2012-FY2016, which has been aided by healthy growth in third party sales and contract manufacturing for the government hospitals. The ratings also favourable consider the long standing experience of promoters in pharmaceutical industry, high geographical diversification with presence across India and established relationship with reputed customers, resulting in repeat orders.

The ability of the company to diversify its product base thereby achieving sustained improvement in scale of operations; and increase profitability while effectively managing its working capital requirements would be the key rating sensitivity.

[1] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

- Long experience of the promoters in the pharmaceutical business
- Established relations with reputed customers such as Hetero Healthcare and Emcure Pharma
- Planned diversification into sales under its own brand and exports, geographical diversification with presence across India

Credit weakness

- Moderate scale of current operations
- Significant debt repayment obligation for the incurred capital expenditure is likely to put the firm's liquidity under pressure in the near term
- Exposure to regulatory changes prevailing in the pharmaceutical industry in domestic as well as exports market
- Highly competitive bulk drug industry resulting in limited pricing power and stretched receivables

Description of key rating drivers

The company avails excise duty and income tax benefits under the state government policy. The company has production facility of 7 crore vials per shift. The company will start operating on two-shift basis based on its revenue growth. The company undertakes contact manufacturing for various government institutes in Rajasthan, Orissa, Gujarat, Kerala, Maharashtra, Punjab, Uttarakhand and Uttar Pradesh and presently has an order book of Rs 15.01 crore in FY2018. This increase in scale is attributed to higher third party sales and contract manufacturing for the government hospitals.

The company started selling its products directly to the doctors and chemists from FY2015. This segment is at nascent stage and contributed around Rs 10 crore to the total sales in FY2017. The company maintains an inventory of upto 2 months depending on the orders in hand. The company extends credit period of upto 1-2 months to private players and 3 months to government hospitals. Since, the company executed large amount of government orders in February and March, the debtors at year end were high.

Analytical approach: To arrive at the ratings, ICRA has taken into account the standalone financials along with key operational developments in the recent past.

Links to applicable criteria

Corporate Credit Rating –A Note on Methodology
http://www.icra.in/Files/Articles/Rating%20Meth%20Mar%202017.pdf

About the company:
ALIL, incorporated in 2006, manufactures beta and non-beta lactum dry power injectables at its plant in Baddi, Himachal Pradesh. The plant has WHO-GMP and GLP approval and under the state government policy, it avails tax and excise duty benefits.

ALIL reported a net profit of Rs. 1.58 crore on an operating income of Rs. 55.13 crore in FY2016, as against a net profit of Rs. 0.35 crore on an operating income of Rs. 36.94 crore in FY2015. The company, on a provisional basis, reported an operating income of Rs 41.68 crore in 11M FY2017.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating in FY2015	Month-year & Rating in FY2014	Month-year & Rating in FY2013
				April 2017	**-**	**-**	**-**
1	Cash Credit	Long Term	7.00	[ICRA]B(Stable)	-	-	-
2	Term Loan	Long Term	4.00	[ICRA]B(Stable)			
3	Bank Guarantee	Short Term	6.00	[ICRA]A4	-	-	-

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	**Date of issuance**	**Coupon rate**	**Maturity Date**	**Size of the issue (Rs. Cr)**	**Current Rating and Outlook**
Cash Credit	-	-	-	7.00	[ICRA]B (Stable)
Term Loan			September 2019	4.00	[ICRA]B (Stable)
Bank Guarantee	-	-	-	6.00	[ICRA]A4

Source: Banks's Sanction Letter

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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