October 03, 2017

ANG Lifesciences India Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	11.00	[ICRA]BB- (Stable); revised from [ICRA] B (Stable)
Non-fund Based Limits	6.00	[ICRA] A4; reaffirmed
Total	**17.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has revised the long-term rating to [ICRA]BB- (pronounced ICRA double B minus) from [ICRA] B (pronounced ICRA B) of the Rs 11.00-crore fund-based facilities of ANG Lifesciences India Limited (ALIL). ICRA has reaffirmed the short-term rating of [ICRA] A4 (pronounced ICRA A four)[1] of the Rs. 6.00-crore non-fund based facilities of ALIL. The outlook on the long-term rating is Stable.

Rationale

The rating upgrade takes into account the YoY growth of ~23% in the company's operating income (OI) in FY2017. ALIL has taken to diversifying its customer base via third-party sales, contract manufacturing for government hospitals, export orders and sales under its own brands. However, this has lead to moderation in the operating margins in the past three years due to high marketing costs. ICRA also favourably factors in the significant improvement in the company's capital structure in FY2018 following an equity infusion of Rs 12.0 crore by initial public offering at BSE SME platform in September 2017 thereby strengthening the net-worth base.

The ratings further take into account the high utilisation of bank limits in the recent past as well as the high repayment obligation that may put pressure on liquidity in the near-to-medium term. The ratings are further constrained by the increasing debtor days over the years on account of increased sales to government institutions.

ALPL's ability to sustain a healthy growth in revenues, maintain its profitability margins as well as prudently manage its working capital cycle and achieve higher product, client as well as geographical diversification remain the key rating sensitivities.

Key rating drivers

Credit strengths

- Extensive 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

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

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 limits pricing power and stretches receivables

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria

Corporate Credit Rating Methodology

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 net profit of Rs. 2.82 crore on an OI of Rs. 67.92 crore in FY2017 as against a net profit of Rs. 1.58 crore on an OI of Rs. 55.13 crore in FY2016.

Key financial indicators (Audited)*

	FY2016	FY2017
Operating Income (Rs. crore)	55.13	67.92
PAT (Rs. crore)	1.58	2.82
OPBDIT/ OI (%)	9.48%	9.59%
RoCE (%)	25.00%	26.67%
Total Debt/ TNW (times)	2.84	1.87
Total Debt/ OPBDIT (times)	2.59	2.15
Interest Coverage (times)	2.68	4.26
NWC/ OI (%)	15%	19%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years
Table

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	**Rated amount (Rs. crore)**	**Month-year & Rating**	**Month-year & Rating in FY2017**	**Month- year & Rating in FY2016**	**Month- year & Rating in FY2015**
				October 2017	**March 2017**	-	-
1	Cash Credit	Long Term	7.00	[ICRA] BB- (Stable)	[ICRA] B(Stable)	-	-
2	Term Loan	Long Term	4.00	[ICRA] BB- (Stable)	[ICRA] B(Stable)		
3	Bank Guarantee	Short Term	6.00	[ICRA] A4	[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

Instrument Details

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

Source: ALIL's bank sanction letter

Contact Details

Analyst Contacts

Sabyasachi Majumdar
sabyasachi@icraindia.com
+91-124-4545304

Udisha Agrawal
udisha.agrawal@icraindia.com
+91-124-4545441

Manish Ballabh
manish.ballabh@icraindia.com
+91-124-4545812

Gaurav Singla
gaurav.singla@icraindia.com
+91-124-4545366

Relationship Contact

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

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Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	