

Aktinos Pharma Private Limited

Instrument	Amount	Rating
	In Rs. crore	As on March 2016
Long Term Fund Based Limits	6.50 (Revised from Rs 2.50 crore)	[ICRA]BB+(stable); reaffirmed
Long Term Non-Fund Based Limits	0.20	[ICRA]BB+(stable); reaffirmed
Short Term Non-Fund Based Limits	1.50 (Revised from Rs 3.00 crore)	[ICRA]A4+; reaffirmed
Long/Short Term Unallocated Limits	2.50	[ICRA]BB+(stable)/[ICRA]A4+; reaffirmed

ICRA has reaffirmed long term rating of [ICRA]BB+ (pronounced ICRA double B plus) assigned to the Rs. 6.50 crore (revised from Rs. 2.50 crore)¹ fund based limits and Rs. 0.20 crore non-fund based limits of Aktinos Pharma Pvt. Ltd. (APPL)². ICRA has reaffirmed the short term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs. 1.50 crore non-fund based limits of APPL. ICRA has also reaffirmed the ratings of [ICRA]BB+/[ICRA]A4+ assigned to the Rs. 2.50 crore unallocated limits of APPL. The long term rating carries a stable outlook.

The reaffirmation of ratings continues to factor in over two decades of experience of the promoters in the pharmaceuticals bulk drug & intermediate industry; established relationships with Mylan Labs Limited (MLL) for supply of Valacyclovir intermediates since FY2011; and healthy gearing of 0.47 times and comfortable coverage indicators as on March 31, 2015. However, the ratings are constrained by small scale of operations of the company, high dependence on valacyclovir intermediates which resulted in dip in revenues during FY15 on account of lower off take by MLL, and high customer concentration with MLL contributing major portion of the revenues. The ratings also consider customer concentration risk with top 5 customers contributing over 95% of total revenues over the last 3 years, exposure of profitability to forex fluctuations in absence of any hedging mechanism in place; and government restriction on further expansion of present facility leading to higher job work expenses impacting margins; increase in stake in group company Aktinos Healthcare Pvt. Ltd. has resulted in strained liquidity leading to increase in creditor days and working capital debt during FY2016.

The ability of the company to diversify product base, increase its scale of operations and improve profitability would be the key rating sensitivity going forward.

Company Profile

Aktinos Pharma Pvt. Ltd. (APPL) was incorporated in 2007 by Dr. Murali Krishna and his wife for setting up a drug intermediates unit with a capacity of 400 TPA. The commercial operations of the company started in November, 2008. The plant is located IDA, Bollaram in Hyderabad. APPL is primarily into the manufacturing of Valacyclovir intermediates for Mylan Laboratories Limited. To meet the demand of its existing customers and expand its customer base, Aktinos Healthcare Pvt. Ltd. (AHPL) was incorporated in 2011 and operations started in 2014. AHPL has its plant at JN Pharma City, Vishakapatnam. APPL has increased its stake in AHPL from 51% to 90% in FY2016 and will further increase it to 100% in FY2017.

Recent Results

As per audited financials for FY15, APPL reported an operating income of Rs. 61.09 crore with profit after tax of Rs. 3.43 crore and Rs. 72.85 crore of operating income with profit after tax of Rs. 3.09 crore for FY14.

March 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.



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