

November 20, 2020

Acme Generics LLP: Moved to Non-Cooperating category, Rating downgraded based on best available information

Summary of rated instruments

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|-----------------------------------|----------------------------------|---|
| Fund Based –Term Loan | 71.19 | 71.19 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BB+ (Negative) and moved to the 'Issuer Not Cooperating' category |
| Fund Based – Working Capital Facilities | 12.00 | 12.00 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BB+ (Negative) and moved to the 'Issuer Not Cooperating' category |
| Unallocated Limits | 1.81 | 1.81 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING*; Rating downgraded from [ICRA]BB+ (Negative) and moved to the 'Issuer Not Cooperating' category |
| Total | 85.00 | 85.00 | |

* Issuer did not cooperate; based on best available information; Instrument details are provided in Annexure-1

Rationale

ICRA has taken a consolidated view on Acme Formulation Private Limited (AFPL) and Acme Generics LLP (AGL) (collectively referred to as Acme Group), while assigning the credit ratings, given the common management and significant operational and financial linkages between the entities. Acme Formulation holds an 81% stake in Acme Generics through direct and indirect holdings.

The ratings downgrade is because of lack of adequate information regarding AFPL's performance and hence the uncertainty around its credit risk. ICRA assesses whether the information available about the entity is commensurate with its rating and reviews the same as per its "Policy in respect of non-cooperation by a rated entity" available at www.icra.in. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating may not adequately reflect the credit risk profile of the entity, despite the downgrade.

As part of its process and in accordance with its rating agreement with AFPL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information and in line with the aforesaid policy of ICRA, a rating view has been taken on the entity based on the best available information.

The previous detailed rating rationale is available on the following link: [Click here](#)

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable Rating Methodologies | Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry Consolidation and Rating Approach Policy in respect of non-cooperation by a rated entity |
| Parent/Group Support | Not applicable |
| Consolidation/Standalone | For arriving at the ratings, ICRA has consolidated the financials of two group entities (as mentioned in Annexure-2) given the close business, financial and managerial linkages among them. |

About the company:

Acme Generics LLP (AGL) was incorporated in 2014 as a partnership firm. It was primarily established as an extended arm to AFPL to continue to enjoy the excise exemption benefits, which expired in March 2015 for AFPL. However, with implementation of GST in FY2016, the excise exemption benefits are no longer applicable and thus both companies operate similarly with strong business linkages and the same management team. AFPL holds a majority stake in AGL (81% through direct and indirect holdings).

AGL's development and manufacturing capabilities cover prescription products in solid and semi-solid dosage forms. Its manufacturing facility is situated in Baddi (Himachal Pradesh), spread across an area of 3.0 lakh sq. ft. The facility has an annual capacity of 13 billion tablets and two billion capsules. It is accredited by European Union – Good Manufacturing Practice Hungary (EU-GMP Hungary), Therapeutic Goods Administration (TGA) Australia and U.S. Food and Drug Administration (US-FDA) particularly for manufacturing OTC and dietary supplements.

Key financial indicators (Standalone)

| | FY2018 | FY2019 |
|--|--------|--------|
| Operating Income (Rs. crore) | 257.1 | 257.5 |
| PAT (Rs. crore) | 28.7 | 14.6 |
| OPBDIT/OI (%) | 17.7% | 12.0% |
| RoCE (%) | 27.2% | 15.6% |
| Total Outside Liabilities/Tangible Net Worth (times) | 2.1 | 1.9 |
| Total Debt/OPBDIT (times) | 1.8 | 2.7 |
| Interest Coverage (times) | 6.0 | 4.6 |
| DSCR | 3.9 | 2.0 |

Status of non-cooperation with previous CRA

In its rationale published on Acme Generics, dated Jan 21, 2020, Crisil Ratings has stated the following:

“CRISIL has been consistently following up with ACME Generics LLP (ACME) for obtaining information through letters and emails dated June 29, 2019 and December 09, 2019 among others, apart from telephonic communication. However, the issuer has remained non-cooperative.

'The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING'. These ratings lack a forward-looking component as it is arrived at without any management interaction and is based on best available or limited or dated information on the company.

Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of ACME, which restricts CRISIL's ability to take a forward-looking view on the entity's credit quality. CRISIL believes information available on ACME is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB' rating category or lower'.

Based on the last available information, the rating on bank facilities of ACME continues to be '**CRISIL B+/Stable Issuer not cooperating**'."

Any other information: None

Rating history for last three years

| Current Rating (FY2021) | | | | | Chronology of Rating History for the past 3 years | | | |
|-------------------------|---------------------------------------|--------------------------|--------------------------------|---------------|---|-------------------------|--------------------|-------------------------|
| Instrument | Type | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating | Date & Rating in FY2020 | Date & Rating in FY2019 | | Date & Rating in FY2018 |
| | | | | Nov-20-20 | Dec-23-19 | Dec-27-18 | Aug-31-17 | |
| 1 | Fund-based - Term Loan | Long Term | 71.19 | 71.19 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING | [ICRA]BB+ (Negative) | [ICRA]BBB (Stable) | [ICRA]BBB(SO) (Stable) |
| 2 | Fund-based Working Capital Facilities | Long Term | 12.00 | - | [ICRA]B+ (Stable) ISSUER NOT COOPERATING | [ICRA]BB+ (Negative) | [ICRA]BBB (Stable) | [ICRA]BBB(SO) (Stable) |
| 3 | Unallocated Limits | Long Term | 1.81 | - | [ICRA]B+ (Stable) ISSUER NOT COOPERATING | [ICRA]BB+ (Negative) | - | - |

*As per last available data; #Update on reason for delay in periodic surveillance

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

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|---|-----------------------------|-------------|---------------|--------------------------|---|
| NA | Term Loan-1 | February 2015 | - | March 2025 | 61.46 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING |
| NA | Term Loan-2 | November 2018 | - | November 2023 | 9.73 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING |
| NA | Fund-based - Working Capital Facilities | - | - | - | 12.00 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING |
| NA | Unallocated Limits | - | - | - | 1.81 | [ICRA]B+ (Stable) ISSUER NOT COOPERATING |

Source: Acme Formulation Private Limited

Annexure-2: List of entities considered for consolidated analysis

| Company Name | Ownership | Consolidation Approach |
|----------------------------------|-----------|------------------------|
| Acme Formulation Private Limited | 100.00% | Full Consolidation |
| Acme Generics LLP | 81.00% | Full Consolidation |

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