

August 03, 2017

## Arch Pharmalabs Limited (Revised)

### Summary of rated instruments

Instrument <sup>^</sup>	Rated Amount (in Rs. crore)	Rating Action
Non-Convertible Debenture programme	300.0	[ICRA]D ISSUER NOT COOPERATING*; moved to Issuer not cooperating category
<b>Total</b>	<b>300.0</b>	

\*Issuer did not cooperate; based on best available information

<sup>^</sup>Instrument details are provided in Annexure-1

### Rating action

ICRA has moved the rating for the Rs. 300.00 crore<sup>1</sup> Non-Convertible Debenture facility of Arch Pharmalabs Limited<sup>†</sup> to the 'Issuer Not Cooperating' category. The rating is now denoted as: "[ICRA]D ISSUER NOT COOPERATING".

### Rationale

The rating action is based on the best available information. As part of its process and in accordance with its rating agreement with APL, ICRA has been trying to seek information from the company so as to undertake surveillance of the rating, but despite repeated requests by ICRA, no information has been provided yet. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's *Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016*, the company's rating is now denoted as: "[ICRA]D ISSUER NOT COOPERATING". The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited information on the company's performance since the time it was last rated.

### Key rating drivers

#### Credit strengths

- **Leadership in manufacturing intermediates for semi-synthetic isoxazole penicillin drugs**

#### Credit weaknesses

- **Delays in servicing debt repayment obligations** - Stretched liquidity profile on account of significant losses and high working capital requirements.

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

#### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

**About the company:**

Arch Pharmed Labs Limited (APL) is engaged primarily in the manufacturing of APIs and pharmaceutical intermediates and also provides contract research and manufacturing services to international and domestic pharmaceutical companies. Over the years, it has grown organically and in-organically through acquisitions and currently operates eleven manufacturing units across country (including two facilities owned by its subsidiary Avon Organics Ltd. (AOL)), of which three are US FDA approved (one of which owned by AOL). Moreover, one of the USFDA unit is also been approved by EDQM, TGA-Australia and PMDA-Japan. These facilities allow the company to supply its products in regulated markets on registration and approval of the products with the relevant authorities. The company's key products include side chains of isoxazole penicillin, APIs for Atorvastatin, Clopidogrel and Gemcitabine. APL has been supported by three Private Equity Investors namely ICICI Venture, IL&FS and Swiss Tec, who have been associated with the company for more than five years.

**Key Financial Indicators (Audited)**

	FY2014	FY2015
Operating Income (Rs. crore)	568.6	163.7
PAT (Rs. crore)	(415.0)	(1145.6)
OPBDIT/ OI (%)	(22.6%)	(308.8%)
RoCE (%)	(4.1%)	(19.7%)
Total Debt/ TNW (times)	2.39	21.64
Total Debt/ OPBDIT (times)	(25.27)	(7.07)
Interest coverage (times)	(0.39)	(1.48)
NWC/ OI (%)	456%	1281%

*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.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					August 2017	July 2016	-	-
1	Non-Convertible Debenture programme	Long-Term	150.0	NA	[ICRA]D ISSUER NOT COOPERATING*	[ICRA]D	-	-
2	Non-Convertible Debenture programme	Long-Term	150.0	NA	[ICRA]D ISSUER NOT COOPERATING*	[ICRA]D	-	-

\*Issuer did not cooperate; based on best available information

**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](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>ISIN No</b>	<b>Instrument</b>	<b>Date of Issuance / Sanction</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Amount Rated (Rs. crore)</b>	<b>Current Rating and Outlook</b>
NA	NCD1	NA	NA	NA	150.0	[ICRA]D ISSUER NOT COOPERATING*
NA	NCD2	NA	NA	NA	150.0	[ICRA]D ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information

Source: Arch Pharmalabs Limited

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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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