Actis Generics Private Limited

March 07, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	30.33 (Reduced from 33.95)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; Positive (Double B; Outlook: Positive)
Total Bank Facilities	**30.33 (Rs. Thirty Crore and Thirty-Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Actis Generics Private Limited (AGPL) on account of improved total operating income, profitability margins and operating cycle in FY21 (refers to the period April 01 to March 31). The ratings continue to be tempered by short track record and small scale of operations, therapeutic and product concentration risk, raw material price volatility, highly competitive business and exposure to regulatory risk. The ratings, however derive strength from qualified and experienced promoters, comfortable capital structure and debt coverage indicators, reputed clientele base with moderate customer concentration risk and favourable growth prospects of pharma industry.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations to above Rs.100 crore
- Overall gearing improving to below 1.00x

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any debt funded capex many deteriorate the gearing to above 2.50x
- Elongation in operating cycle to above 100 days.
- Decline in PBILDT margin to below 20%

Detailed description of the key rating drivers

Key Rating Weaknesses

Short track record and small scale of operations

The company has a short track record of around a decade in the industry. The total operating income (TOI) of the company remained at small at Rs. 37.92 crore during FY21 with a moderate net worth base of Rs.15.16 crore as on March 31, 2021.

Therapeutic and Product Concentration risk

The revenue concentration from top four products stood at 65% in FY21 (68% in FY20). AGPL primarily caters to therapeutic areas such as Anticogulation, Anti-Diabetic and Anti-Arhtemetic. The top three therapeutic segments contribute to 50% of the topline in FY21

Highly competitive business

The pharma intermediate manufacturers today are facing tremendous competition, so for survival they have to produce products in large volumes but at a lower price. On the other hand the prices of raw materials are increasing making it tough for the small manufacturers to sustain profit margins.

Moderate capital structure and improved debt coverage indicators

The capital structure of the company marked by debt equity and overall gearing ratio although improved and stood moderate at 1.68x and 1.72x as on March 31, 2021 as against 2.45x and 2.99x as on March 31, 2020 on account of lower utilization of the CC facility as on balance sheet closing date. The debt coverage indicators marked by total debt/GCA improved from 14.40x in FY20 to 2.32x in FY21 on account of increase in GCA levels from Rs.2.00 crore in FY20 to Rs.11.25 crore in FY21. The PBILDT/ interest- coverage ratio improved to 7.53x in FY21 as against 4.05x in FY20 on account of increase in PBILDT in absolute levels

Exposure to regulatory risk and raw material price volatility

Pharmaceutical industry is a closely monitored and regulated industry and as such there are inherent risks and liabilities associated with the products and their manufacturing. Regular compliance with product and manufacturing quality standards of regulatory authorities is critical for selling products across various geographies. Furthermore, the key raw materials required for the manufacturing API and intermediates constitute major cost of sales, hence the company remains susceptible to commodity price variation risk.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Qualified and Experienced promoters

Actis Generics Private Limited was incorporated in the year 2012, and commenced its operations from January 2014. The directors of the company Mr. B. Madhu Sudhana Reddy (Managing Director), Mr. B. Siva Kumar Reddy (Director), Mr. P. Venkat Ram Reddy (Director), are qualified post graduates and have more than a decade of experience in manufacturing of pharmaceutical ingredients and bulk drugs. Mr. B. Siva Kumar Reddy has completed his Masters in Chemical Engineering and worked with Dr. Reddy laboratories for a period of 7 years before establishing AGPL. Mr. P. Venkat Ram Reddy has completed Masters in Pharmaceutical Administration and having around a decade of experience in the same line of business. Their vast experience is also expected to help the company to develop the business in near future.

Improved scale of operations and profitability margins in FY21

The total operating income of the company improved from Rs.16.88 crore in FY20 to Rs.37.92 crore in FY21 on account of commercialisation of products along with increase in product capacity. Furthermore, one of the molecule- Rivaroxabin(anti-cloting) is off patent from December 2020 which lead to further increase in the sales. The company has achieved a TOI of Rs. 57.74 crore in 10MFY22. The profitability margins of the company improved from 17.04% in FY20 to 36.74% in FY21 as company got first mover advantage for off patent products coupled with of change in its product mix. Due to increase in PBILDT levels, PAT margin also improved from 6.14% in FY20 to 13.63% in FY21.

Reputed clientele base with moderate customer concentration

The company has reputed client base such as Glenmark Life Sciences Limited, Megafine Pharma Biocon Limited, Micro Labs Limited, MSN Laboratories Private Limited, Lupin Limited etc. The top five customers contributed to 49.07% of the revenue during FY21 (44.51% in FY20).

Improved operating cycle in FY21

AGPL working capital cycle improved from 116 days in FY20 to 68 days in FY21 mainly on account of improvement in collection days from 116 days in FY20 to 68 days in FY21. The company maintains inventory of around 90-120 days considering the lead times involved in the procurement to ensure smooth production. The average creditor days stood at 67days in FY21 (70 days in FY20)

Healthy growth prospects of Indian pharmaceutical industry

The Indian Pharma Industry (IPI) would continue to experience strong growth principally, the generic opportunities in USA and yet to be saturated emerging markets will drive the growth. IPI is expected to witness a growth at CAGR of 10% during FY20-21 and export market at CAGR of about 7% over the same period on back of huge generic opportunities in regulated market, expansion of healthcare spending (government and private investment), rising incidence of chronic diseases and healthcare penetration to the extended urban and rural regions. The company is currently producing validation batches for around 8 molecules which are expected to be Off-Patent during next two to three years. As of now , Teneligliptin and Rivaroxabin is Off-patent product. AGPL is spending around 5%- 6% of the total income in R&D every year.

Liquidity: Adequate

The company has an projected GCA of Rs.12.70 crore as against repayment obligations of Rs.2.69 crore in FY22. The average utilisation of CC facility stood at 16% for the last twelve months ended December 21, 2021 which provides liquidity cushion. Liquidity is supported by above unity current ratio at 1.93x as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Manufacturing Companies
Pharmaceutical
Policy on default recognition
Rating Outlook and Credit Watch

About the Company

Actis Generics Private Limited (AGPL) was incorporated in the year 2012 by Mr. B. Madhu Sudhana Reddy (Managing Director), Mr. B. Siva Kumar Reddy (Director) and Mr. P. Venkat Ram Reddy (Director). All the directors of the company are related and the operations commenced from January 2014. AGPL is involved in the manufacturing of bulk drugs, intermediates, Active Pharmaceutical Ingredients (API), Key starting materials (KSMs) and other speciality chemicals which are used as ingredients in manufacturing of human drugs and medicines. The company caters primarily to domestic market (90% of the revenue) to pharma players such as Bicon, MSN Laboratories, Lupin Limited, Intas etc. AGPL derives around 10% of the revenue from overseas markets primarily European countries such as Italy, Spain etc. and procures around 95% of raw materials indigenously and 5% by way of imports. The company has its registered office at Labbipet, Vijayawada and manufacturing unit at J.N. Pharma City, Paravada, Visakhapatnam, Andhra Pradesh

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (Prov)	10MFY22
Total operating income	16.88	37.92	57.74
PBILDT	2.88	13.93	NA
PAT	1.04	5.17	NA
Overall gearing (times)	2.99	1.72	NA
Interest coverage (times)	4.05	7.53	NA

A: Audited; Prov-Provisional; NA-Not Available

Status of non-cooperation with previous CRA: CRISIL vide its press release dated January 28, 2022 has placed ratings of Actis Generics Private Limited under "Issuer Not Cooperating" category because of lack of information.
Any other information: Not Applicable.
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2026	14.19	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	16.14	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)CARE BB; Stable (12-Mar-20) 2)Withdrawn (12-Mar-20)	1)CARE BB; Stable (29-Jan-19)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	1)CARE BB; Stable (12-Mar-20) 2)Withdrawn (12-Mar-20)	1)CARE BB; Stable (29-Jan-19)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)CARE BB; Stable (12-Mar-20) 2)Withdrawn (12-Mar-20)	1)CARE BB; Stable (29-Jan-19)
4	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)CARE BB; Stable (12-Mar-20) 2)Withdrawn (12-Mar-20)	1)CARE BB; Stable (29-Jan-19)
5	Fund-based - LT-Term Loan	LT	14.19	CARE BB+; Stable	-	1)CARE BB; Positive (05-Mar-21)	-	-
6	Fund-based - LT-Cash Credit	LT	16.14	CARE BB+; Stable	-	1)CARE BB; Positive (05-Mar-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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