

Godavari Drugs Limited

August 12, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	6.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	21.00 (Rs. Twenty-One Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 26, 2020 placed the rating(s) of Godavari Drugs Limited (GDL) under the 'issuer non-cooperating' category as GDL had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. GDL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated July 12, 2021 to August 02, 2021 and among others. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on August 26, 2020 the following were the rating strengths and weaknesses (Updated for the information available from BSE)

Key rating weakness

Modest scale of operations

The scale of operations of the company marked by total operating income of RS.122.75 crore in FY21 with net worth base of RS.24.39 crore as on 31st March 2021.

Marginal decline in PBILDT margin in FY19 albeit thin PAT margin

The profitability margins marked by PBIDT and PAT margin increased to 8.07% and 3.36% in FY21 as against 6.63% and 2.09% in FY20

Deteriorated capital structure, debt coverage indicators of GDL improved marginally albeit remained moderate

The capital structure of the company marked by debt equity and overall gearing stood moderately leveraged at 0.57x and 1.25x as on 31st March 2021. The PBILDT/ Interest coverage ratio stood at 2.99x in FY21.

Working capital intensive nature of operations

The operating cycle of the company improved from 94 days in FY20 to 75 days in FY21 on account of improvement in collection days from 137 days in FY20 to 118 days in FY21 and inventory days from 72 days in FY20 to 52 days in FY21. The creditor days stood at 95 days in FY21

Highly fragmented industry

The Indian Pharmaceutical Industry (IPI) is globally the 3rd largest in terms of volume and 13th biggest in terms of value, accounting for ~10% of the global pharma market by volume and ~2% by value. Lower share in terms of value can be attributed to the lower prices of the medicines sold in the country.

Key rating strengths

Extensive experience of the promoters in the industry

GDL is promoted by Mr Ghanshyam Jaju (Chairman) who has long established presence in the pharmaceutical industry with experience of about four decades in the industry. The company is also supported by Mr Mohit Jaju (Executive Director) who is an engineer and handles the technical operations of the company including development of new products and Mr Mukund Kakani (Managing Director) who is a qualified chemical engineer with experience of about 38 years in the pharma sector. The promoters are supported by team of experienced professionals.

Increase in total operating income during FY21

The TOI of the company increased from Rs.96.03 crore in FY20 to RS.122.75 crore in FY21.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology – Pharmaceutical Sector](#)

[Criteria for Short Term Instruments](#)

About the Company

Godavari Drugs Limited (GDL) was incorporated in 1987 as a Private Limited Company and subsequently, in 1995, the constitution was changed to public limited. The company has been promoted by Shri Ghanshyam Jaju who has presence in the pharmaceutical industry for the last four decades. Mr. Mukund Kakani (MD) is a chemical engineer and possesses experience of over three decades in pharmaceutical industry. GDL commenced its business operation from 1989 with manufacturing of Active Pharmaceutical Ingredients (API), particularly, Sulfamethoxazole, located in Maharashtra Industrial Development Corporation Estate (MIDC) at Nanded, Maharashtra.

Brief Financials (Rs. crore)	FY20(A)	FY21 (Abridged)
Total operating income	96.03	122.75
PBILD	6.37	9.91
PAT	2.01	4.13
Overall gearing (times)	1.29	1.25
Interest coverage (times)	2.19	2.99

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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	6.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (26-Aug-20)	1)CARE BB-; ISSUER NOT COOPERATING* (27-Aug-19)	1)CARE BB-; ISSUER NOT COOPERATING* (23-Jul-18)
2.	Non-fund-based - ST-BG/LC	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (26-Aug-20)	1)CARE A4; ISSUER NOT COOPERATING* (27-Aug-19)	1)CARE A4; ISSUER NOT COOPERATING* (23-Jul-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument -Not Applicable
Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades; it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporate to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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