Allchem Lifescience Private Limited

April 14, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	11.32	**CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)**	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Long Term / Short Term Bank Facilities	13.50	**CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)**	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable / CARE A4; (Double B; Outlook: Stable / A Four)
Total Facilities	**24.82 (Rs. Twenty-Four Crore and Eighty-Two Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide press release dated April 01, 2020, had placed the ratings of Allchem Lifescience Private Limited (ALPL) under the 'Issuer Non-cooperating' category as the company had failed to provide information for monitoring of the ratings. ALPL continues to be non-cooperative despite requests for submission of information through phone calls and e-mails dated February 15, 2021, February 25, 2021 and March 07, 2021. 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.

The ratings assigned to the bank facilities of ALPL have been revised on account of CARE's inability to conduct a due diligence with the banker. The ratings assigned continue to remain constrained on account of its moderate scale of operations with moderate profitability reported during the year ended FY20 (refers to period April 01 to March 31). The ratings are further constrained on account of susceptibility of its profit margins to volatility in raw material prices and foreign exchange fluctuation risk and presence into highly fragmented and regulated pharmaceuticals industry. The ratings, however, favorably take into consideration experience of the directors, reputed client base, moderate capital structure and debt coverage indicators.

Detailed description of the key rating drivers

At the time of last rating on April 01, 2020, the following were the rating weaknesses and strengths (updated based on best available information):

Key Rating Weaknesses

Moderate scale of operations with moderate profitability: Scale of operations remained moderate marked by a TOI of Rs. 49.29 crore in FY20 compared to Rs. 40.15 crore in the previous year. The profitability of the company stood stable with PBILDT margin of 17.42% and PAT margin of 4.43% in FY20. GCA remained at Rs.5.50 crore in FY20.

Susceptibility of profit margins to volatility in raw material prices and foreign exchange fluctuation risk: ALPL's key raw material includes basic chemicals used in manufacturing of products being used in Pharmaceuticals industry. Any adverse change in price of this material will directly affect the profitability of ALPL. Since the company is engaged in direct exports, which accounts for 40-50 percent of its total turnover and in absence of any prudent hedging policy company has to face the foreign exchange fluctuation risk.

Presence into highly fragmented and regulated industry: Indian Pharmaceutical Industry is highly fragmented having presence of large number of unorganized players along with presence of organized players as well. Key factors that are

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information*

expected to drive the growth of IPI in the medium term are increasing penetration of generic drugs in regulated markets on the back of significant patent expiries, outsourcing by global pharmaceutical companies to India and steady growth in the domestic market.

Key Rating Strengths

Experienced directors: ALPL has been promoted by three directors namely Mr. Bipin Patel, Mr. Kantilal Patel and Ms. Manisha Patel. Mr. Kantilal Patel has experience of more than four decades in same industry and Mr. Bipin Patel has experience of more than two decades in same industry.

Reputed client base: The company has been dealing with the reputed clients in pharmaceutical industry. ALPL has managed to get repetitive orders from them thereby mitigating the counter-party risk to an extent on the back of healthy credit profile of these reputed clients.

Moderate capital structure and debt coverage indicators: ALPL capital structure remained moderate marked by an overall gearing of 1.23x as on March 31, 2020 as compared to 1.37x as on March 31, 2019. Improvement is on back of accretion of profits to reserves.

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
Criteria for Short Term Instruments
Rating Methodology - Manufacturing Companies
Rating Methodology – Pharmaceutical Sector
Financial ratios – Non-Financial Sector

About the company

Vadodara-based Allchem Lifescience Private Limited (ALPL) is an ISO 14001:2004 certified private limited company, which was originally promoted by Mr. Bipin Patel as proprietorship firm namely Allchem Laboratories in 2003 and subsequently got reconstituted into private limited company in January 2017. ALPL is engaged in manufacturing of pharmaceuticals intermediates for Active Pharmaceutical Ingredients (APIs), mainly used in pharma industry. ALPL has an installed capacity of 660 metric tons per annum (MTPA) as on January 31, 2019.

Brief financials of ALPL are tabulated below:

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	40.15	49.29
PBILDT	8.49	8.59
PAT	2.17	2.18
Overall gearing (times)	1.37	1.23
Interest coverage (times)	4.06	4.20

A - Audited

Status of non-cooperation with previous CRA: ICRA has put ratings assigned to the bank facilities of ALPL in to 'Non-Cooperation' vide press release dated July 28, 2020 on account of non-cooperation by the company with ICRA's efforts to undertake a review of the ratings outstanding.

Any other information: Not Applicable

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

Complexity level of various instruments rated for this Company: Please refer Annexure-3

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-Term Loan	-	-	November 2023	11.32	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit	-	-	-	13.50	CARE BB-; Stable / 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-Term Loan	LT	11.32	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (01-Apr-20)	-	1)CARE BB; Stable (20-Feb-19)
2.	Fund-based - LT/ ST-Cash Credit	LT/ST	13.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (01-Apr-20)	-	1)CARE BB; Stable / CARE A4 (20-Feb-19)

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

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT/ ST-Cash Credit	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:
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