Actis Generics Private Limited

March 15, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	40.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE has been seeking information from Actis Generics Private Limited to monitor the ratings vide e-mail communications dated November 01, 2023 to March 07,2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating on Actis Generics Private Limited bank facilities will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING*

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

The ratings have been revised and migrated to INC category due to non-availability of requisite information due to non-cooperation by Actis Generics Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE Ratings views information availability risk as a key factor in its assessment of credit rating.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the promoters and management in the industry.

At the time of last rating on April 05, 2023, the following were the rating weaknesses and strengths.

Detailed description of the key rating drivers:

Key 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.63.02 crore during FY22 with a moderate net worth base of Rs.20.34 crore as on March 31, 2022.

Therapeutic and Product Concentration risk

The revenue concentration from top three products i.e. Rivaroxaban Sitagliptin& Vildagliptin stood at 90% in FY22 (64% in FY21). AGPL primarily caters to therapeutic areas such as Anticogulation, Anti-Diabetic and Anti-Arhtemetic. The top two therapeutic Oral Anticogulation & Anti-Diabetic segments contribute to 90% of the topline in FY22.

Inherent regulatory risk associated with pharmaceutical Industry; albeit steady growth prospects

The pharmaceutical industry is highly regulated in many other jurisdictions and requires various approvals, licenses, registrations and permissions for business activities. The domestic demand for formulations is expected to grow steadily backed by increasing instances of chronic diseases, increasing per capita income, improvement in access to healthcare facilities and penetration of health insurance. The industry is expected to continue to see pricing pressure in both the markets, domestic and exports. However, CARE Ratings believes that the steady growth in demand from domestic market coupled by a likely increase in export volumes to North American and African markets will support the industry's growth.

Highly competitive API manufacturing (Pharmaceutical) segment

The API manufacturers today are facing tremendous competition, so for survival they have to produce APIs 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 API manufacturers to manage things. Final formulators continually push for lower API prices as they face incredible price competition themselves, to the point of sometime focusing more on market share than on the profitability. Final formulators,

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

often under the tremendous price pressures are willing to take risks with less established companies than with more established ones. Such decisions influence the overall API market.

Elongated operating cycle in FY22
AGPL working capital cycle increased from 68 days in FY21 to 82 days in FY22 mainly on account of higher collection days which increased to 82 days in FY22 from 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 85 days in FY22 (70 days in FY21).

Key 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.

Robust growth in income
The total operating income (TOI) of the company showed robust growth of 68% and it reported the turnover of Rs 63.02 crore during FY22 on account of commercialisation of products along with increase in production capacity. Furthermore, one of the molecule- Rivaroxabin (anticloting) is off patent from December 2020 which lead to further increase in the sales.

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 58% of the revenue during FY22 (49% in FY21).

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 0.77x and 1.23 x as on March 31, 2022 as against 1.68x and 1.72x as on March 31, 2021 on account of repayment of the unsecured loan from the promoters as well as scheduled repayment of the term loans. The debt coverage indicators marked by total debt/GCA deteriorated marginally from 2.32x in FY21 to 2.54x in FY22 on account of lower GCA levels from Rs. 11.25 crore in FY21 to Rs.9.88 crore in FY22. The PBILDT/ interest- coverage ratio stood at 6.58x in FY22 as against 7.34x in FY21 on account of increase in interest cost.

Liquidity: Adequate

The company has an projected GCA of Rs.9.87 crore as against repayment obligations of Rs.5.4 crore in FY23. The average utilisation of CC facility stood at 46% for the last twelve months ended February, 2023 which provides liquidity cushion. Liquidity is supported by above unity current ratio at 1.34x as on March 31, 2022.

Assumptions/Covenants: NA

Environment, social, and governance (ESG) risks: NA

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Pharmaceuticals
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	37.42	63.02	65.64
PBILDT	13.40	14.90	15.69
PAT	5.17	5.18	6.81
Overall gearing (times)	1.72	1.23	0.97
Interest coverage (times)	7.34	6.58	7.38

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has retained the rating on bank facilities of AGPL under 'Issuer not cooperating' vide press release dated March 10, 2023 due to lack of adequate data.

Any other information: NA

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	30-09-2026	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (05-Apr-23)	-	1)CARE BB+; Stable (07-Mar-22)	1)CARE BB; Positive (05-Mar-21)
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (05-Apr-23)	-	1)CARE BB+; Stable (07-Mar-22)	1)CARE BB; Positive (05-Mar-21)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated: NA

Note on the complexity levels of the rated instruments: CARE Ratings 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 us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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