# Cdymax (India) Pharma Private Limited

April 03, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 140.51<br>(Reduced from 153.12) | CARE BB; Stable | Reaffirmed |
| Short Term Bank Facilities | 0.50 | CARE A4 | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The rating assigned to the bank facilities of Cdymax (India) Pharma Private Limited (Cdymax) factors in modest improvement in scale of operations of the company along with positive PBDIT margins. However, due to continuous losses reported by the company and increasing outstanding liabilities of the company in form of creditors has resulted in moderation in coverage indictors. Though CARE Ratings Limited (CARE Ratings) note that the company has sufficient time to repay its creditors however if losses sustain in future, would result in further deterioration of coverage indicators. Further the formulation unit is yet to witness ramp up in operations and hence stabilisation of the same with growing scale of operations along with improving its profitability in oncology API will be key to its credit profile. The rating also factors in product and customer concentration risk, susceptibility of margins to forex and raw material price fluctuations and exposure to regulatory risk.

These rating weaknesses are partially offset by the long track record of operations of the company in the pharmaceutical sector, the manufacturing facility accredited by major regulatory agencies, established relations with reputed clients spread across geographies, and efficient working capital management on account of favourable credit terms with the suppliers.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Scale of operations above Rs. 300 Cr while maintaining PBILDT margins above 10% and TOL/TNW of less than 2.5x

### Negative factors

- Any additional debt availed by the company leading to deterioration in overall gearing beyond 1.5x
- Unfavourable change in the credit terms with the suppliers, leading to increased dependence on debt to meet working capital requirements

**Analytical approach:** Standalone

**Outlook:** Stable

CARE Ratings believes that Cdymax will continue to sustain its performance aided by stable demand for its existing products and will continue to benefit from long-standing experience of its promoters in pharmaceutical sector.

## Detailed description of key rating drivers:

## Key weaknesses

**Stagnant scale of operations and gradual improvement in profitability margins**

To improve its profitability margins, company discontinued its general API division in FY22 due to low margin business which impacted its sales volume. Company decided to stop manufacturing the general API and increase its presence in Oncology segment however due to complexity involved in production of stable oncology APIs, it is time taking. This coupled with lengthy and expensive approval process for new product registration restricts company's sales volume. Thus, company again started production of general API however volume stood low and presently company is more focused towards oncology segment as the same is high margin segment. In FY24, company witnessed modest growth of 4% in total revenue from operations (TOI) from Rs. 238 crore to Rs. 248 crore though EBIDTA turned positive to Rs 2.39 crore in FY24 as against negative Rs. 23.69 crore in FY23 on account of low exchange rate fluctuation and additional income of Rs. 14.4 crore from contract manufacturing. In current fiscal year, company is expected to report TOI of ~RS. 270 crore supported by high sales volume from oncology segment. Further raw material cost constitutes ~60-65% of revenue from operations as raw material prices for oncology APIs are comparatively expensive than general APIs and company is manufacturing new products every year and the same is expected to remain range bound in future.

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

**Deterioration in debt coverage indicators**
Albeit comfortable capital structure, however, continuous losses from past three years has impacted net worth of the company which has witnessed significant reduction leading to stressed debt coverage indicators. Company was able to ensure timely debt repayments aided by long credit period available from its suppliers. TOL/TNW has moderated further and stood at 4.93x as on March 31,2024 when compared to 3.96x as on March 31,2023 on account of higher trade payables and net worth reduction.

**Stabilization Risk**
From FY23 onwards, company started focusing on oncology API and formulation division. The company has commenced its operations in the formulation division however it is highly exposed to associated stabilization risk. In absence of approvals, company is currently operating as Contract manufacturer (CMO). However, CARE Ratings notes that the USFDA and EU-GMP Inspection has been completed for Formulation Unit and approval is expected to receive by next month. Once operational, company's sales and profitability margins are expected to improve significantly in future.

**Profitability margins are susceptible to fluctuation in raw material and foreign exchange price fluctuation risk**
The company imports 50%-60% of its raw material with major supplier being Desano Pharmaceuticals Limited and Eagle Style Limited operating in China. Basis relationship between Cdymax and its suppliers, the company get favourable credit terms from its supplier of close to a year. During FY24, the company derived around 74% (P.Y. 82%) of its revenues from export markets i.e. around Rs.174 crore however due to low fluctuation in exchange rate, expenses from exchange rate fluctuation reduced in FY24 to Rs. 1.34 crore as against Rs. 18.83 crore in FY24. This coupled with income of Rs. 14.4 crore from contract manufacturing has turned EBIDTA positive to Rs. 2.93 crore in FY24 as against negative Rs. 23.69 crore in FY23, however the margins are still below previous levels of Rs. 25-59 crore during FY20-21. The company does not have hedging policy in place. Nevertheless, the profitability margins are susceptible to fluctuation in raw material and foreign exchange price fluctuation risk. Improvement in EBIDTA margins is a key rating monitorable to assess credit profile of the company.

**Exposure to regulatory risk**
The pharmaceutical industry is highly regulated and requires various approvals, licenses, registrations and permissions for business activities. Each authority has its own requirement, and they could delay or refuse to grant approval, even when a product has already been approved in another country. The approval process for a new product registration is complex, lengthy and expensive. The time taken to obtain approval varies by country but generally it takes from six months to several years from the date of application. Any delay or failure in getting approval for new product launch could adversely affect the business prospect of the company. Given, India's significant share in the US's generic market, the USFDA has increased its scrutiny of manufacturing facilities and other regulatory compliances of the Indian pharma companies supplying APIs and generic drugs to the US. Non-compliance may result in regulatory ban on products/facilities and may impact a company's future approvals from USFDA.

## Key strengths

**Established track record of operations**
Cdymax has more than two decades of operational track record in the pharmaceutical sector and is engaged in the manufacturing of active pharmaceutical ingredients (APIs). The directors of the company, viz., Mrs Manorama Avinash and Mr. Santosh Datta Naik, have extensive experience in the industry. The company also derives benefit from its promoter company, Couplet Ltd, whose shareholder holds stake in China's Shanghai Acebright Pharmaceuticals Group Co. Limited (formerly known as Shanghai Desano Group), established in 1996.

**Accredited manufacturing facilities**
The company has an installed capacity for APIs of 300 tonne per annum (200-tonne for general API and 100-tonne for oncology API), as on December 31, 2024. The facilities are approved by various regulatory agencies, such as the US Food and Drug Administration (USFDA), the World Health Organization, Geneva (WHO), and the Central Drugs Standard Control Organisation (CDSCO), India. This apart, the company recently completed a formulations unit with an installed capacity of 250 million tablets per year and 20 million capsules per year and USFDA and EU-GMP Inspection has been completed for Formulation Unit and approval is expected to be received by next month.

**Efficient working capital management**
The pharmaceutical sector is working capital-intensive in nature, marked by a high inventory holding period. However, Cdymax has been efficiently managing its working capital cycle over the years due to its strong relationship with suppliers who provide favourable credit terms of around 300 days. The company has to maintain minimum inventory levels to meet the customer requirement on time and for smooth flow of business operations. As on March 31, 2024, the working capital cycle of the company stood negative, despite an inventory holding period of 169 days. Due to the efficient working capital management, the dependence of the company on bank borrowing is nil.

## **Liquidity**: Stretched

Liquidity position of Cdymax remained stretched with significant stabilisation risk associated with its new formulation impacting its overall profitability. The company has free cash and bank balance of Rs. 6.41 crore as on December 31, 2024, and also company has CC facility of Rs. 7.50 crore which as of December 30, 2024, remains unutilized. The company has been managing its working capital cycle comfortably as reflected by negative operating cycle of 207 days as on March 31, 2024.

Further company has weak current ratio, low quick ratio, while the current ratio was at 0.61x, its quick ratio remained low at 0.32x as on March 31, 2024.

## Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Pharmaceuticals
Financial Ratios – Non financial Sector
Short Term Instruments

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Healthcare | Healthcare | Pharmaceuticals & Biotechnology | Pharmaceuticals |

Cdymax (India) Pharma Pvt Ltd (erstwhile Acebright (India) Pharma Pvt Ltd) was incorporated on October 27, 1994. Earlier, the company was into manufacturing of drug intermediates, however, in 2006, Couplet Limited (investing entity held by individual investors who have shareholding in Shanghai Acebright Pharmaceuticals Group Co. Ltd) invested into the company post which it ventured into manufacturing of Active Pharmaceutical Ingredients (APIs). The existing facility was upgraded for manufacturing of General APIs.
The company has an installed capacity for APIs of 300 tons per annum on December 31, 2024. Apart from this, the company has a formulations unit with installed capacity of 250 million tablets per year and 20 million capsules per year. The manufacturing facilities of the company are located in KIADB Industrial Area in Bangalore, Karnataka and are approved by various regulatory agencies such as US- Food and Drug Administration (FDA), World Health Organization (WHO) and Central Drugs Standard Control Organisation (CDSCO), India, among others.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | December 31, 2024 (UA) |
|---|---|---|---|
| Total operating income | 238.09 | 248.35 | 196.33 |
| PBILDT | -23.69 | 2.93 | 8.63 |
| PAT | -46.50 | -14.11 | NA |
| Overall gearing (times) | 0.49 | 0.37 | NA |
| Interest coverage (times) | -3.91 | 0.66 | 4.79 |

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:**
India Ratings has placed the ratings of Cdymax under 'Issuer Not Cooperating' via press release dated June 25, 2024, as the company did not cooperate in sharing the requisite information.
Brickwork Ratings continues to maintain the ratings of Cdymax under 'Issuer Not Cooperating' via press release dated September 20, 2024, as the company did not cooperate in sharing the requisite information.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | - | 27.50 | CARE BB; Stable |
| Fund-based - LT-Term Loan | - | - | - | March 2029 | 113.01 | CARE BB; Stable |
| Non-fund-based - ST-Forward Contract | - | - | - | - | 0.50 | CARE A4 |

## Annexure-2: Rating history for 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 2024-2025 | 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 |
| 1 | Fund-based - LT-Term Loan | LT | 113.01 | CARE BB; Stable | 1)CARE BB; Stable (01-Apr-24) | - | 1)CARE BB+; Negative (31-Mar-23) | 1)CARE BBB; Stable (11-Feb-22) |
| 2 | Fund-based - LT-Cash Credit | LT | 27.50 | CARE BB; Stable | 1)CARE BB; Stable (01-Apr-24) | - | 1)CARE BB+; Negative (31-Mar-23) | 1)CARE BBB; Stable (11-Feb-22) |
| 3 | Non-fund-based - ST-Forward Contract | ST | 0.50 | CARE A4 | 1)CARE A4 (01-Apr-24) | - | 1)CARE A4+ (31-Mar-23) | 1)CARE A3+ (11-Feb-22) |

LT: Long term; ST: Short term.

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

## Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Non-fund-based - ST-Forward Contract | Simple |

## Annexure-5: Lender details

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for 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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