Getwell Pharma India Private Limited

August 26, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	40.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total Bank Facilities	**40.00 (₹ Forty Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

The rating assigned to Getwell Pharma India Private Limited (GPIPL) is primarily constrained on account of small scale of operations and thin profitability margins, leveraged capital structure, exposure to regulatory risk and raw material price volatility. Further, the company is also constrained by stabilization risk associated with debt funded newly setup facility and foreign exchange fluctuations and geopolitical risks. The credit profile derives comfort from experienced promoters in the industry, healthy growth prospects of Indian pharmaceuticals industry and growing exports presence, primarily in regulated market.

Rating Sensitivities

Positive Factors

- Sizable increase in scale of operations from present level (total operating income to above Rs. 80 crore) of the company on a sustainable basis with positive EBITDA.
- Improvement in the capital structure as marked by overall gearing ratio of below 1.00x
- Timely and successful execution of the project within envisaged cost.
- Improvement in creditor days and debtor days to below 60 days.

Negative Factors

- Deterioration in the capital structure as marked by overall gearing ratio of above 3.00x.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operation and thin profitability margins

The company's scale of operations has remained small marked by Total Operating Income (TOI) of Rs. 0.76 crore during FY22 (based on provisional result from April 01, 2021 to March 31, 2022) as compared to Rs. 2.24 crore during FY21. The same is on account of lower orders received.

The company is in nascent stage of operations and continues to report losses at operating level primarily on account of high pre-operating expenses. Further, the company incurred loss in FY22 as against PBILDT margins and PAT margins of 0.37% and 0.23% respectively in FY21. Furthermore, the company is planning to acquire the operations of their group associate "Getwell Pharmaceuticals" by the end of FY23. This acquisition will lead to increase in scale and improvement in profitability margins of GPIPL.

Leveraged Capital Structure

The capital structure of the company stood leveraged as on March 31, 2022 on account of high debt levels against relatively low net worth base. Overall gearing (including acceptances/creditors on LC) ratio stood at 2.02x (based on provisional result from April 01, 2021 to March 31, 2022) showing deterioration from 1.34x as on March 31, 2021 mainly on account of increased reliance on external borrowings.

Further, on account of high debt levels and loss incurred; the debt coverage indicators of the company stood weak as marked by total debt to GCA as (35.77x) respectively for FY22 (prov.).

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.

Stabilization risk associated with debt funded newly setup facility

The company had undertaken a project for construction of a manufacturing facility with an area of 6900 sq. meter at IMT Bawal. The cost of construction is around Rs. 50.00 crore which was partly funded through term loan of Rs. 30 crores and

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

balance through promoter infusion of Rs. 20 crores. The construction part was completed, and unit is on trial run for six months. The trial run will be completed by November 2022. Post completion of the trial run the company will start the full-fledged operations. Post commencement of commercial operations, the optimum capacity utilisation and deriving envisaged benefits remain key monitorable area given the highly regulated and competitive market.

Foreign exchange fluctuations & geopolitical risks
The business operations of GPIPL involve both imports and exports resulting in sales realization and cash outflow in foreign currency. GPIPL exports its product in overseas market such as Philippines, Myanmar, Kenya, etc. and export contribution to total sales stood around 60% for FY21. Furthermore, GIPL import raw material cost which stood at around 10% for FY21, thereby exposing GPIPL to volatility in foreign exchange rates. However, being importer and exporter, the foreign currency risk is partially mitigated through a natural hedge. However, in the absence of any hedging policies adopted by the company, GPIPL is exposed to fluctuations in the value of rupee against foreign currency which may impact its cash accruals. Moreover, the company also exposed to geopolitical risk as the major revenue derived from export market and hence, any regulatory changes in the export regions will directly impact on the revenue stream of the company.

Key Rating Strengths
Experienced management with more than a decade of experience in the industry
The overall operations of GPIPL are looked after by the promoter- Mr. Manas Tandon, who is a post- graduate by qualification and possess an experience of around one and a half decade in the field of outsourced manufacturing of generics of oncology products mainly related to chemotherapy. Further, the company is also supported by qualified and experienced team of professionals. Hence, the extensive experience of the promoter and experienced team enables them to establish strong marketing connects and production processes excellence for GPIPL.

Healthy growth prospects of Indian Pharmaceutical Industry
Healthcare services in India are expected to grow at healthy rate on account of likely rise in per capital income and health insurance markets coupled with favourable demography situation and a transition in disease profile of the country. Furthermore, significant increase in allocation towards government program under Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) to Rs.6,412 crore from Rs.6,400 crore in the previous year under the Union Budget 2022-23 should augur growth of the healthcare sector.

Liquidity: Stretched
The liquidity position of the company remains stretched characterized by negative gross cash accruals of Rs. (0.94) and is expected to envisage GCA of Rs. 3.60 crore as on March 31, 2023 against repayment obligation of Rs. 3.60 crore. The promoters support the liquidity of the company through infusion of funds as evident from infusion of unsecured loan of around Rs.3.77 crore in FY22. Further, the company has low cash & bank balances which stood at Rs. 0.09 crore as on March 31, 2022.

Analytical approach: Standalone

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

About the Company
Delhi based, Getwell Pharma India Private Limited (GPIPL), incorporated in January 2018 is managed by Mr. Manas Tandon and Mrs. Mini Tandon. The company is incorporated with an aim to manufacture generics of oncology products mainly related to chemotherapy. The company manufactures oncology formulations in the form of liquid vials, lyophilized vials in line with local and international regulatory requirements. Getwell Pharmaceuticals is an associate concern of GPIPL. Getwell Pharmaceuticals is also engaged in manufacturing of generics of oncology (chemotherapy) products majorly injections only.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (UA)	4MFY23 (Prov.*)
Total operating income	2.24	0.76	17.00
PBILDT	0.01	-0.84	NA
PAT	0.01	-0.94	NA
Overall gearing (times)	1.34	2.02	NA
Interest coverage (times)	0.00	-8.36	NA

A: Audited; UA: Unaudited; NA: Not Available
*Refers to the period from April 01, 2022 to July 31, 2022

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 31, 2027	30.00	CARE B+; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	10.00	CARE B+; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	30.00	CARE B+; Stable				
2	Fund-based - LT-Proposed fund based limits	LT	10.00	CARE B+; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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-Proposed fund based limits	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 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.

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Shivam Tandon
Phone: +91- 11-4533 3263
E-mail: shivam.tandon@careedge.in

Relationship contact
Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

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.

Disclaimer:
The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in