Allchem Lifescience Private Limited

April 01, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	11.32	**CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING)**	Issuer not cooperating; Based on best available information
Long Term/ Short Term Bank Facilities	13.50	**CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four; ISSUER NOT COOPERATING)**	Issuer not cooperating; Based on best available information
Total	**24.82 (Rupees Twenty four crore eighty two lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Allchem Lifescience Private Limited (ALPL) to monitor the ratings vide e-mail communications/ letters dated December 03, 2019, December 13, 2019, January 03, 2020, February 04, 2020, February 11, 2020, February 15, 2020, February 26, 2020 *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 ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on ALPL's bank facilities will now be denoted as* **CARE BB; Stable; ISSUER NOT COOPERATING*/ CARE A4; 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 ratings.

The ratings assigned to the bank facilities of Allchem Lifescience Private Limited (ALPL) are constrained on account of its moderate scale of operations with moderate profitability reported during the year ended FY19 (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 and successful completion of a debt-funded expansion project.

Detailed description of the key rating drivers

At the time of last rating on February 20, 2019 the following were the rating strengths and weaknesses (Updated for the information available from registrar of company)

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations with moderate profitability

ALPL's scale of operations remains moderate marked by total operating income (TOI) of Rs.40.15 crore during FY19 as against TOI of Rs.28.39 crore in FY18 on back of increase in production during the year as a result of completion of the expansion project. Further, operating profitability of ALPL also improved and stood moderate as marked by PBILDT margin of 21.15% during FY19 (A) as against PBILDT margin of 10.84% during FY18 (A). However, as a result of high amount of interest costs and depreciation costs incurred during the year ALPL reported moderate PAT margins of 5.41% during FY19 as against PAT margins of 1.32% during FY19.

Susceptibility of profit margins to volatility in raw material prices and foreign exchange fluctuation risk

[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*

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 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.

Successful Completion of project

ALPL has successfully completed its capex for expansion and increase in install capacity, which is funded by debt/equity mix of 2.00 times. The capex has been completed within envisaged time and cost parameters and started its commercial production with new plant by August 2018 which is in line with the initial estimation and there was no such major cost overrun.

Moderate capital structure and debt protection indicators

ALPL's capital structure deteriorated and remained moderate marked by an overall gearing ratio of 2.07 times as on March 31, 2019 as compare to 1.75 times as on March 31, 2018 on account of higher amount of total debt with moderate networth base. However, The debt coverage indicators of the company remained moderate on back of moderate profitability and gearing position marked by moderate total debt to GCA ratio of 4.76 times and interest coverage ratio of 4.06 times during FY18 (A).

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's default recognition policy
Rating Methodology-Manufacturing Companies
Criteria for Short Term Instruments
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, however operations has been commenced from in April, 2017.

At present, there are three directors namely Mr. Bipin Patel, Mr. Kantilal Patel and Ms. Manisha Patel, however overall operations have been managed by Mr. Bipin Patel.

ALPL is engaged in manufacturing of pharmaceuticals intermediates for 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. It partly exports its intermediates to European countries and also caters to some reputed clental.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	28.39	40.15
PBILDT	3.08	8.49
PAT	0.37	2.17
Overall gearing (times)	1.75	2.07
Interest coverage (times)	3.81	4.06

A: Audited

Status of non-cooperation with previous CRA: ICRA has put rating assigned to the bank facilities of ALPL in to 'Non Cooperation' vide press release dated January 31, 2019 on account of non-cooperation by ALPL with ICRA's efforts to undertake a review of the rating outstanding

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-Term Loan	-	-	November, 2023	11.32	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT/ ST-Cash Credit	-	-	-	13.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	11.32	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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* Issuer not cooperating; Based on best available information	-	1)CARE BB; Stable / CARE A4 (20-Feb-19)	-	-

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

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.*

Contact us

Media Contact
Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Name – Mrs. Shachee Vyas
Contact no.- (079) 40265665
Email ID- shachee.tripathi@careratings.com

Business Development Contact
Name: Mr. Deepak Prajapati
Contact no.: 079-40265656
Email ID: deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over 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 corporates 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.

Disclaimer

CARE's 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**