

## Godavari Drugs Limited

August 26, 2020

### RATING'S

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	6.00	<b>CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)</b>	<b>Issuer not cooperating; Revised from CARE BB-; ISSUER NOT COOPERATING* (Double B Minus ISSUER NOT COOPERATING*) on the basis of best available information</b>
Short Term Bank Facilities	15.00	<b>CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)</b>	<b>Issuer not cooperating; Based on best available information</b>
<b>Total Facilities</b>	<b>21.00 (Rs. Twenty-One Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

#### **Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated August 27, 2019, placed the rating(s) of Godavari Drugs Limited (GDL) under the 'Issuer non-cooperating' category as GDL had failed to provide information for monitoring of the rating. GDL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails from October 2019 to August 10, 2020. 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.**

#### **Detailed description of the key rating drivers**

##### **(Updated for the information available from BSE)**

The rating has been revised by taking into account non-availability of requisite information due to non-cooperation by GDL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

The ratings continues to be tempered by modest scale of operations, marginal decline in PBILDT margin in FY19 albeit thin PAT margin, Deteriorated capital structure, debt coverage indicators of GDL improved marginally albeit remained moderate, working capital intensive of nature of operations and Highly fragmented industry. The ratings however underpinned by Extensive experience of the promoters in the industry. The rating also factors in increase in total operating income during the review period.

#### **Detailed description of the key rating drivers**

##### **Key Rating weakness**

##### **Modest scale of operations**

The scale of operations of the company is moderate marked by total operating income (TOI) has increased from Rs. 83.79 crore in FY19 to Rs. 96.03 crore in FY20 and the total net worth stood at Rs.20.26 crore as on March 31, 2020 as compared to other peers in the industry.

##### **Marginal decline in PBILDT margin in FY19 albeit thin PAT margin**

PBILDT margin has decreased by 20 bps from 6.83% in FY19 to 6.63% in FY20. Whereas, the PAT margin has increased by 65 bps from 1.44% in FY19 to 2.09% in FY20 on account of increase in PBILDT in absolute terms.

##### **Deteriorated capital structure, debt coverage indicators of GDL improved marginally albeit remained moderate**

The capital structure remained moderate marked by debt equity ratio and overall gearing which deteriorated marginally and stood at 0.55x & 1.29x as on March 31, 2020 respectively (as against 0.44x & 1.15x as on March 31, 2019) due to increase in total debt levels, despite of increase in tangible net worth. Due to above mentioned reason along with increase in GCA, the debt coverage indicators of the company have improved marginally marked by PBILDT interest coverage ratio and total debt/GCA, however remained moderate at 2.19x and 8.22x in FY20 respectively (as against 1.98x & 9.15x in FY19).

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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

### **Working capital intensive of nature of operations**

Operating cycle remained elongated at 94 days in FY20 as compared to 76 days in FY19 on account of stretched collection days.

### **Highly fragmented industry**

The Indian Pharmaceutical Industry (IPI) is globally the 3rd largest in terms of volume and 13th biggest in terms of value, accounting for ~10% of the global pharma market by volume and ~2% by value. Lower share in terms of value can be attributed to the lower prices of the medicines sold in the country.

### **Key rating strengths**

#### **Extensive experience of the promoters in the industry**

GDL is promoted by Mr Ghanshyam Jaju (Chairman) who has long established presence in the pharmaceutical industry with experience of about four decades in the industry. The company is also supported by Mr Mohit Jaju (Executive Director) who is an engineer and handles the technical operations of the company including development of new products and Mr Mukund Kakani (Managing Director) who is a qualified chemical engineer with experience of about 38 years in the pharma sector. The promoters are supported by team of experienced professionals.

#### **Increase in total operating Income (TOI) during FY19**

Total operating income of the company has increased by 14.60% during FY20 and stood at Rs. 96.03 crore as compared to 83.79 crore in FY19.

**Analytical Approach:** Standalone

### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios –Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology –Pharmaceutical Sector](#)

### **About the Company**

Godavari Drugs Limited (GDL) was incorporated in 1987 as a private limited company and subsequently, in 1995, the constitution was changed to public limited. The company has been promoted by Shri Ghanshyam Jaju who has presence in the pharmaceutical industry for the last four decades. Mr. Mukund Kakani (MD) is a chemical engineer and possesses experience of over three decades in pharmaceutical industry. GDL commenced its business operation from 1989 with manufacturing of Active Pharmaceutical Ingredients (API), particularly, Sulfamethoxazole, located in Maharashtra Industrial Development Corporation Estate (MIDC) at Nanded, Maharashtra.

<b>Brief Financials (Rs. crore)</b>	<b>FY19(A)</b>	<b>FY20(A)</b>
Total operating income	83.79	96.03
PBILDT	5.72	6.37
PAT	1.21	2.01
Overall gearing (times)	1.15	1.29
Interest coverage (times)	1.98	2.19

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

### **Annexure-1: Details of Instruments/Facilities**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	15.00	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; ISSUER NOT COOPERATING * (27-Aug-19)	1)CARE BB-; ISSUER NOT COOPERATING * (23-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING * (19-May-17)
2.	Non-fund-based - ST-BG/LC	ST	15.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4; ISSUER NOT COOPERATING * (27-Aug-19)	1)CARE A4; ISSUER NOT COOPERATING * (23-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING * (19-May-17)

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

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable****Annexure 4: Complexity level of various instruments rated for this company/firm**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### 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 corporate 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

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