Press Release

Swiss Garnier Genexiaa Sciences Private Limited [SGGSPL]

March 30, 2021

Rating

S. No	Instrument/ Facility	Amount (INR Crore)	Ratings	Rating Action
1	Long Term-Fund Based-Term Loan	29.00	IVR B+/ Stable outlook (IVR Single B Plus with Stable outlook)	Assigned
2	Long Term-Fund Based -Cash Credit	11.00	IVR B+/ Stable outlook (IVR Single B Plus with Stable outlook)	Assigned
	Total	**40.00**		

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from the experienced promoters & management team, Reputed clientele and Moderate capital & debt protection metrices. The rating however is constrained by Volatile revenue, PAT loses in FY19 & FY20, Vulnerability to change in government/regulatory policies and volatility in raw material prices.

Key Rating Sensitivities:

Upward Rating Factor:

- Substantial & sustained improvement in revenue and profitability leading to improvement in debt protection metrics and liquidity.

Downward Rating Factor:

- Any decline in revenue and/or elongation of gross working capital cycle leading to deterioration in liquidity.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters & management

SGGSPL is promoted by Mr M S Theivendran (B. Tech in chemical engineering) and his wife Mrs. T Rethinavalli. Promoters is having more than two decades of experience in pharma sector. The directors are well supported by a team of experienced and qualified professionals in day-to-day operations.

Reputed Clientele

SGGSPL has a long operational track record of more than a decade and over a period it has established relationship with reputed clients like Lupin Ltd, Dr Reddy's Laboratories Ltd, Mankind Pharma Ltd, Wockhardt Ltd, Torrent Pharmaceuticals Ltd, etc. which has resulted in repeated orders. The list of reputed clients in their kitty validate their performance over the years.

Moderate Capital Structure Debt protection metrics

The overall gearing ratio stood at 1.47x as on March 31, 2020 (FY19: 2.55x). Long-Term Debt to equity stood at 1.34x (2.41x). Interest Coverage stood comfortable at 2.00x (-0.17x). TOL/ATNW stand comfortable at 0.74x (1.01) as on March 31, 2020.

Key Rating Weaknesses

Volatile revenue

SGGSPL has established Unit II for one of its key customers and it was expected that with commencement of operations of Unit II scale of operations will undergo a major upward shift. However, due to change in tax regime, the expected key client decided to manufacture of its own instead offloading as a Job work leading to delay in achieving the break even for the newly operational plant. However, with an established operational efficiency and experienced marketing team the company has been able to add new clients leading to improved utilization of the plant in FY20. In FY20 revenue grew to INR151.30 from INR96.50 in FY19 with an annualized growth of 56.80% Also, in 11MFY21, the company has been able to achieve sales of INR129.22 cr. At any point of time the company has a running order of around INR15.00 to INR20.00 crore. Current year sales are expected to remain at FY20 level and is expected to improve substantially in FY22.

PAT loses in FY19 & FY20.

SGGSPL reported loses in FY19 & FY20 at PAT level due to subdued utilisation of the capacity. The company had done a capex of around INR140.00 crore which was operational in FY19. The lower-than-expected uptick in the utilisation resulted in lower absorption of increased interest expenses & depreciation. However, the utilisation improved in FY20 and PAT loses had come down to INR1.21 crore in FY20 from INR (27.98) crore in FY19. The company is expected to achieve positive PAT in FY21.

Vulnerability to change in government/regulatory policies and volatility in raw material prices.

The pharmaceutical industry is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the Company. Pharmaceutical companies are closely monitored and regulated by various domestic regulatory bodies and by global agencies in case of export. The approval process for a new product registration is complex, lengthy, and expensive. Hence, on-going regulatory compliance has become critical for Indian pharma companies. Furthermore, the price of the basic raw material is quite volatile. Any substantial adverse movement in the same can impact the company profitability adversely.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

Gross cash accruals tightly match the repayment obligation in FY20. Current ratio and quick ratio stood at 1.06x and 0.68x as on 31st march, 2020. Average working capital requirement for last twelve-month ended Feb-2021 remains moderate at around 90%. Cash & Cash equivalent stood at INR1.04 Crore as on March 31st,2020.

About the company

Incorporated in August 2010 SGGSPL is primarily engaged in the manufacturing of healthcare formulations i.e., tablets, capsules, dry powders, and External preparations. It has two manufacturing unit located in the state of Sikkim.

Financials (Standalone) **(INR crore)**

For the year ended / As on*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	96.50	151.30
EBITDA	-2.07	23.88
PAT	-27.98	-1.21
Total Debt	91.44	77.68
Tangible Net Worth	64.72	97.51
EBIDTA Margin (%)	-2.14	15.78
PAT Margin (%)	-29.00	-0.80
Overall Gearing ratio (x)	2.55	1.47

**Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA: Care Ratings vide its press release dated March 31, 2020 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: N.A.

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-2021)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	29.00	IVR B+/ Stable outlook (IVR Single B Plus with	--	--	--

				Stable outlook)			
2.	Cash Credit	Long Term	11.00	IVR B+/ Stable outlook (IVR Single B Plus with Stable outlook)	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Analysts:

Name: Ms. Himani Singhal

Tel: (022) 62396023

Email: hsinghal@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market

Annexure 1: Details of Facilities

Sr. No	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term-Fund Based -Term Loan	--	--	Dec-22	29.00	IVR B+/Stable Outlook
2	Long Term-Fund Based -Cash Credit	--	--	--	11.00	IVR B+/Stable Outlook