



Press Release

Sudarshan Pharma Industries Limited **(SPIL)**

December 01, 2023

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Facilities	72.05	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reclassified	Simple
Short Term Bank Facilities	9.00	IVR A3 (IVR Single A Three)	Assigned	Simple
Long Term Bank Facilities – Proposed Term Loan	50.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reclassified	Simple
Total	131.05 (Rupees One Hundred and Thirty-One Crores and Five Lacs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale:

The rating assigned to the bank facilities of Sudarshan Pharma Industries Limited (SPIL) derives its strengths from experienced management and established market presence, robust financial risk profile and debt protection metrics & well diversified geographical presence and reputed client base. The rating is however constrained by vulnerability to change in government/regulatory policies and volatility in raw material prices & project implementation risk.



Press Release

Key Rating Sensitivities:

Upward Factors:

- Substantial and sustained improvement in the company's revenue and / or profitability while maintaining the debt protection parameters.

Downward Factors:

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced management and established market presence:

Sudarshan Pharma Industries Limited (SPIL) is chemicals and pharmaceutical company founded in 2008. With the two decades strong presence, the Company stands in Pharma Market specialization in host of product from rock chemicals intermediates and API's (Active Pharmaceutical Ingredients) to finish formulations and fully integrated pharmaceutical and chemical company. The Company's promoters, Mr. Hemal V. Mehta & Mr. Sachin V. Mehta have a combined experience of over 25 years in the Special Chemical, Bulk drug and overall Pharmaceutical Industry and API to finish formulations and fully integrated pharmaceutical and chemical company.

Comfortable financial profile and debt protection metrics:

SPIL's revenue grew by ~29% to INR 461.33 crores in FY23 (FY22: INR 357.09 crores) primarily on account of increase in trading volumes of speciality chemicals and API's (Active Pharmaceutical Ingredients). Further, SPIL's EBITDA margin and PAT margin remained stable at 3.18% & 1.52% respectively in FY23 (FY22: 3.06% & 1.47%) on account of stable input costs. SPIL's debt protection metrics like DSCR and ICR stood at a comfortable 1.94x and 3.47x respectively in FY23 (FY22: 1.52x & 3.96x) on account of increase in absolute EBITDA. Further, SPIL's leverage in terms of TOL/TNW (Total Outside Liabilities/ Tangible Net worth) and overall gearing ratio remained comfortable and at 1.31x and 0.34x respectively



Press Release

in FY23 (FY22: 3.63x & 1.03x) due to increase in tangible net worth on account of pre- IPO promoter

infusion of INR 20 crores and another INR 44 crores raised through an IPO (Initial Public Offering) during March 2023.

Well diversified geographical presence and reputed client base:

The SPIL has well diversified customers since the top 3 customers contribute only 18.49 % of total sales. SPIL customer base includes elite customers like SRF Limited, Reliance Industries Limited, L&T and Asian Paints to name a few. In the Pharma segment, the company has reputable clients like Sandoz Ltd, Teva Pharma, Sun Pharma, Lupin and Jubilant Life Sciences. For the Chemical Segment, SPIL is the sole distributor in Western Maharashtra & Goa for a Water disinfectant of a well-known international brand “Oxystrong Platinum” by Solvay Peroxyhai (Thailand). SPIL has presence in 5 states which includes states like Maharashtra, Gujarat, and Uttar Pradesh. Moreover, SPIL has pan India presence for its chemical intermediaries and APIs. SPIL has also done exports worth INR 20.70 crores in FY23 to countries like UK, Australia, Uzbekistan, Syria, Oman, Taiwan and MENA regions. SPIL’s long-term relations with its customers and suppliers will help to generate a steady growth in revenues.

Key Rating Weaknesses:

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. Having geographical presence in several countries, SPIL needs to be constantly updated with the changing guidelines. Timely product and facility approval/renewal, in various regulated/ semi-regulated markets, remains critical for the growth of exports going forward. Further, the volatility in the raw material prices and time lag of passing the movement in the prices to its customers may impact the profitability of the group adversely.



Press Release

Project Implementation Risk:

SPIL is setting up a Vitamin B6, Fluconazole API (Active Pharmaceutical Ingredients) and Guaifenesin API (Active Pharmaceutical Ingredients) Unit for total cost of INR 78.80 crores, 62% of which is funded through debt and balance through equity/internal accruals. SPIL has received an approval under the PLI (Production Linked Incentive) scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSM), Drug Intermediates (Dis) and Active Pharmaceutical Ingredients (APIs) in India. SPIL has already spent around Rs. 2.58 crores on the project in form of cost of acquisition of land and for acquiring the initial statutory approvals and clearances for the project which is funded through unsecured loans. As per the management, scheduled COD (Commercial Operations Date) is April 2026 and benefits will be coming from FY26. IVR notes that any time/cost overrun in the project could impact the credit profile of the company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

Liquidity – Adequate

SPIL's liquidity derives its comfort from gross cash accruals worth Rs. 7.99 crores against debt obligations of INR 2.96 crores as on 31st March 2023. Moreover, SPIL's current ratio stood at a comfortable 1.68x as on 31st March 2023. In addition to this, SPIL has a buffer unutilized fund based working capital of ~30% for last 12 months ending September 2023 and free cash and cash equivalents as on 31st March 2023 worth Rs. 11.71 crores.



Press Release

About the Company:

Founded in 2008, Sudarshan Pharma Industries Limited (SPIL) is a pharmaceutical and chemical firm. With a robust presence spanning two decades. The company is a fully integrated pharmaceutical and chemical company that specialises in a wide range of products, from rock chemicals to intermediates and API to finished formulations. The promoters of the company, Mr. Sachin V. Mehta and Mr. Hemal V. Mehta have over 25 years of combined expertise in the bulk medicine, special chemical, and pharmaceutical industries.

Financials: Standalone

(Rs. Crore)

For the year ended/ As On	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	357.09	461.33
EBITDA	10.92	14.69
PAT	5.25	7.04
Total Debt	30.58	34.09
Tangible Net-worth	29.67	100.08
Ratios		
EBITDA Margin (%)	3.06	3.18
PAT Margin (%)	1.47	1.52
Overall Gearing Ratio (x)	1.03	0.34



Press Release

Status of non-cooperation with previous CRA:

Brickwork Ratings vide its press release dated 30th June 2023 has migrated the case to Issuer Not Cooperating category on account of non-submission of information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating- 01 December 2023	Date(s) & Rating(s) assigned in 2023-24- 24 th Nov 2023	Date(s) & Rating (s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facilities	Long Term	72.05	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-
2.	Short Term Bank Facilities	Short Term	9.00	IVR A3 (IVR Single A Three)	IVR A3 (IVR Single A Three)	-	-
3.	Long Term Bank Facilities – proposed term loan	Long Term	50.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-



Press Release

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.

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to the best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates a wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Press Release

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities	--	--	--	72.05	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)
Short Term Bank Facilities	--	--	--	9.00	IVR A3 (IVR Single A Three)
Long Term Bank Facilities – Proposed Term Loan	--	--	--	50.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SPIL-dec23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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