



Press Release

Agio Pharmaceuticals Limited(APL)

June 26, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	30.69	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	35.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	65.69 (Sixty-five crore and sixty-nine lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned rating to the bank facilities of APL which derives strength from the sustained improvement in revenue and profitability, comfortable financial risk profile, and experienced promoters. However, these rating strengths are partially offset by working capital intensive nature of business, susceptibility of profit margins to foreign exchange fluctuations, and vulnerability to change in government/regulatory policies.

The Stable Outlook of APL reflects ability to maintain current profitability and financial profile with established market position in the region.

Key Rating Sensitivities:

Upward Factors

- Sustained & significant improvement in revenue & profit margins while maintaining current financial profile along with improvement in working capital cycle.

Downward Factors

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

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

- **Extensive experience of the promoters**

The key promoters of APL, Mr. Madhusudan Ruia, Mr. Rishabh Ruia and Mr. Raghav Ruia are having experience of over three decades in pharmaceutical industry. The promoters-initiated strategies to expand product categories and enhance geographical reach and are expected to continue to infuse timely need based funding support which supports the overall business profile.

- **Diversified product profile and geographical reach**

APL has presence in ethical pharmaceuticals and also in over-the-counter products for which the revenue bifurcation is 40% and 60% respectively. APL has presence in 20 therapeutic segments with over 200 SKUs.

- **Substantial increase in total operating income and profitability**

Total operating income increased by ~31% on y-o-y basis to Rs.239.22 crore in FY24 (P) (period refers from April 1,2023 to March 31, 2024) with higher volumes along with higher capacity utilisation. EBITDA margins improved to 32.13% in FY24(P) as compared to 16.47% in FY23 with benefits of operating leverage.

- **Comfortable financial risk profile**

APL has comfortable capital structure and debt protection metrics over FY24. Capital structure marked by overall gearing and TOL/TNW on Adjusted Tangible Net Worth stood at comfortable levels and at 0.66x and 1.15x respectively as per FY24 (P) (P.Y.: 0.68x and 1.25x). The interest coverage has significantly improved to 11.44x in FY24 (P.Y.: 5.64x), due to overall improvement in profitability and lower interest cost on account of lower working capital utilisation. Total debt/ NCA has improved and stood comfortable level at 1.48x in FY24 (P) (P.Y.: 2.27x).

Key Rating Weaknesses

- **Working Capital intensive nature of operation**

APL's operations are working capital intensive in nature reflected by elongated net working capital cycle of 168 days at the end of FY24(P) (FY23:175 days). Net working capital remained elongated due to higher receivable days which stood at 224 in FY24(P)



Press Release

(FY23:208) as APL derives majority of the revenue through exports and APL booked the revenue when they shipped the goods.

- **Vulnerability to change in government/regulatory policies**

The pharmaceutical industry is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the company. Moreover, intense competition in the generics business limits the pricing flexibility of players. Raw materials account for 25-30% of the sales, and operating margin remains susceptible to any sharp change in input prices.

- **Susceptibility of profit margins to foreign exchange fluctuations**

APL exposed to foreign exchange fluctuations risk as it derives 99% of the revenue through exports. However, APL hedges some forex exposure through forwards. APL has unhedged forex exposure of Rs.63.63 crore as on 31st March 2024. Any adverse fluctuations in forex movement could impact the profitability of the company. However, Infomerics draws comfort as historically, APL did not report any forex losses.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity of the company is expected to generate cash accruals in the range of Rs.66 crore to Rs.78 through FY25-FY27 as against debt repayment along with interest payment of around Rs.7 crore each year through FY25-FY27. The average fund-based utilisation for the past twelve months ended March 2024 remained at ~11% indicating a high liquidity cushion. Further, absence of any debt funded capex provides further comfort to the liquidity position.



Press Release

About the Company

APL was incorporated in the year 1992 by Mr. Madhusudhan Ruia. APL is a Mumbai based company engaged in the manufacturing of pharmaceuticals products such as tablets, capsules, liquid orals, ointments and cream, oral powders and injectables.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	183.13	239.22
EBITDA	30.17	76.87
PAT	16.77	49.82
Total Debt	48.51	79.48
Tangible Net Worth	71.86	120.99
EBITDA Margin (%)	16.47	32.13
PAT Margin (%)	9.11	20.77
Overall Gearing Ratio (x)	0.68	0.66
Interest Coverage (x)	5.64	11.44

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in (2023-24)	Date(s) & Rating(s) assigned in (2022-23)	Date(s) & Rating(s) assigned in (2021-22)
1.	Term Loan	Long Term	5.69	IVR BBB- / Stable	-	-	-
2.	Cash Credit	Long Term	25.00	IVR BBB- / Stable	-	-	-
3.	FBD	Short Term	30.00	IVR A3			
4.	Letter of Credit	Short Term	5.00	IVR A3			

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Press Release

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 best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates 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.

For more information and definition of ratings please visit www.infomerics.com.

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Press Release

Annexure 1: Facility Details

Name of Facility/	ISIN	Date of Issuance	Coup on Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	September 2026	5.69	IVR BBB-/ Stable
Cash Credit	-	-	-	-	25.00	IVR BBB-/ Stable
FBD	-	-	-	-	30.00	IVR A3
Letter of Credit	-	-	-	-	5.00	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Agio-june24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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