



Infomerics Valuation And Rating Pvt. Ltd

Press Release

Smilax Laboratories Limited

April 26, 2018

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long-Term Debt-Term Loan	75.44	IVR D [IVR Single D]	Assigned
Long Term Fund Based Facilities-Cash Credit	33.00		
Short Term Non-Fund Based Limits-L.C/B.G/Forward Contracts	24.36		
Total	132.80		

Details of Facility are in Annexure 1

Detailed Rationale

The rating factors in the delays in debt servicing due to liquidity problems faced by the company. The ability to service debt timely is the key rating sensitivity.

List of Key Rating Driver

- Delays in debt servicing

Detailed Description of the Key Rating Driver

Delays in debt servicing

SLL is largely dependent on business CRAMS (Contract Research and Manufacturing Services) business, which constituted nearly 80% of the turnover of SLL in FY16 (refers to the period April 1 to March 31). SLL saw dip in business from CRAMS in FY17 and 9MFY18 (refers to the period April 1 to December 31), due to depletion in orders from few of its major clients on account of unforeseen events resulting in fall in its Total operating Income from Rs.247.6 crore in FY16 to Rs.143.1 crore in FY17 (Rs.111.39 crore in 9MFY18) and consequentially SLL reporting losses of Rs.13.59 crore in FY17 and Rs. 14.87



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crore in 9MFY18 (as against profit of Rs.3.8 crore in FY16). On account of the losses, the liquidity position of the company deteriorated resulting in delays in servicing of debt.

Analytical Approach & Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period.

About the Company

SLL, incorporated in 2004, is a pharmaceutical company promoted by Hyderabad based Ramky Group, which has its presence for over two decades in waste management and infrastructure development. The main promoter of the group; Mr Alla Ayodhya Rami Reddy holds a Bachelor's degree in Civil Engineering from Karnataka University and a Masters degree in Civil Engineering from Osmania University. He has more than two decades of experience in environmental services, civil works, bio-medical waste and hazardous waste management. The MD of SLL; Mr S. Muralikrishna Reddy holds Masters degree in Organic Chemistry from BHU. He has experience of more than two decades with pharmaceutical industry. The promoters are assisted by team of experienced and qualified professionals.

The company is engaged in the manufacturing of Active Pharmaceutical Ingredients (APIs), API Intermediates and pellets for the generics market at its manufacturing facilities located at Jeedimetla in Telangana and Vishakhapatnam in Andhra Pradesh. The company also undertakes contract manufacturing and contract research activities, besides sale of own API/Intermediates.

SLL has presence in fast- growing lifestyle related therapeutic segments wherein it offers a wide range of product mix. The main product portfolio of the company consists of anti-depressant/anti-psychotic (Citalopram HBR.), anti-hypertensive (Losartan Potassium), anti-ulcerative (Omeprazole, Pantaprazole sodium), Erectile dysfunction (Sildenafil Citrate) etc. However, the focus on the anti- hypertensive segment is the higher which contributed about 14% of revenue in FY18 , followed by anti-ulcerative 16%) and anti-Fungal (26%), Anti platelets (12%)etc.



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Smilax offers a wide product mix covering various therapeutic categories. Smilax has a pool of scientists working to bring complex molecules with efficient processes to market, develop non-infringing processes; and cost-effective routes. To dampen the effect of slowdown in the business from the CRAMS business, the company has undergone major shift in its business model and is focussing on production and sale of its own products. SLL has taken measures to develop its own technology in few select products where it perceives good demand. Company has developed backward integration for few products that would helped scaling up of API business with competitive edge. The company plans to pursue CRAMS projects, when there is good opportunity.

Financials

(Rs. Crores)

For the year ended / Rs. Crs	31-03-2016	31-03-2017
	Audited	Audited
Total Operating Income	247.6	143.1
EBITDA	35.0	8.8
PAT	3.8	-13.6
Total Debt	177.9	165.1
Tangible Net Worth	86.5	72.8
Ratios		
a. EBITDA Margin	14.14	6.12
b. PAT Margin	1.51	-ve
c. Overall Gearing ratio	2.06	2.27

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Credit Analysis & Research Limited (CARE Ratings) which has earlier rated the company, has classified it as "Issuer not cooperating" vide release dated March 12, 2018. The reason provided by CARE Ratings is non-furnishing of information for monitoring of ratings.

Any other information: N.A

Disclosure:



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Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Term Loan	Long Term	75.44	IVR D	--	--	--
2.	Fund Based Facilities- Cash Credit	Long Term	33.00	IVR D	--	--	--
3.	Non-Fund Based Limits- L.C/B.G/Forward Contract	Short Term	24.36	IVR D	--	--	--

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.

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
Long-Term Debt-Term Loan	-	-	October 2022	75.44	IVR D [IVR Single D]
Long Term Fund Based Facilities-Cash Credit	-	-	-	33.00	
Non-Fund Based Limits-L.C/B.G/Forward Contracts	-	-	-	24.36	