Press Release

ANG Lifesciences India Limited

June 04, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating	Rating Action
1.	Bank Facilities-Long Term	34.27	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
2.	Bank Facilities-Short Term	20.00	IVR A3 (IVR A Three)	Assigned
	Total	54.27		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of ANG Lifesciences India Limited takes into account the experienced board of directors and management, strategic backward integration, diversified product portfolio and marketing network and robust financial risk profile. However, the rating strengths continues to be constrained by moderate scale of operations, intense competition and exposure to regulatory risk inherent in pharmaceutical industry.

Key Rating Sensitivities:

Upward revision factors:

- Substantial and sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Effective working capital management with improvement in operating cycle and overall credit metrics marked by improvement in liquidity position.

Downward revision factors:

- Substantial decline in operating income and cash accrual, a stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Significant deterioration in debt metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Board of Directors and management

ANG has a qualified and experienced Board comprising of five directors, of which two are independent. The Board members are well qualified and holds decades of experience in the industry. The diverse and extensive experience of all the directors ensures a good balance in the company's decision-making process. Besides, well experienced management team also enables the company to grow and penetrate newer markets globally.

Backward integration

The company has taken a step towards strategic backward integration by acquiring Mansa Print & Publishers Limited recently through NCLT. Mansa Print & Publishers Ltd is engaged in printing and packaging business covering manufacturing of packaging products including cartons, corrugated boxes, and aluminium foil. It will be helpful for the company in optimising their costs and ensuring timely availability of packaging products.

Diversified product portfolio and marketing network:

The company have diversified their product base and entered manufacturing of tablets, capsules and dry syrups after recent acquisition of Unit 4 in Barotiwala, Solan in January 2021 with total installed capacity of 14.40 Cr. (Tablets), 5.50 Cr. (Capsules) and 0.50 Cr. (Dray Syrup) per annum. Further, ANG have well designed marketing and selling arrangement, categorized majorly into four types of market segments, i.e., institutional segment, third party manufacturing, direct marketing and export market. This helps the company in reducing the concentration risk arising from dependency on a single line or product or any particular market segment.

Robust financial profile

ANG's financial risk profile is characterized by healthy profitability margins with an operating profit margin of 9.87% and PAT margin of 4.79% in FY20, which are further improved to 11.51% operating profit margin and PAT margin of 6.75% as per FY21 provisional financial. The robust debt protection metrics is evidence by Interest coverage ratio of 4.37x, Total debt / GCA of 2.88 years, Long term debt/EBIDTA of 0.63 years and DSCR of 1.68x in FY20. The leverage ratios stood comfortable with long term debt to equity ratio of 0.23x, O/G of 0.61x and TOL/TNW 1.73x in FY20.

Key Rating Weaknesses

Moderate scale of operations, however growing significantly:

In the FY20, the company achieved a modest growth of around 4.2% in the revenue from operations that has been increased to Rs. 126.83 Crs. from Rs. 121.70 Crs. in previous year. The growth is muted partly on account of aftereffects of onset of Covid-19 in January 2020. However, the Company has been able to maintain the profitability with PAT at Rs. 6.10 Crs. as compared to Rs. 5.65 Crs. in FY 2019. As per the FY21 Provisionals, the total operating income has increased from Rs. 126.83 Cr. in FY20 to Rs. 154.66 Cr. as per FY21 provisional financials showing a growth of 21.70%.

Intense competition and exposure to regulatory risk inherent in pharmaceutical industry

The company faces intense competition in the domestic as well as international markets. Pricing pressure, increasing regulation, increased sensitivity towards product performance are the key issues in the pharmaceutical industry. The pharmaceutical industry has been a highly regulated industry worldwide by virtue of its direct bearing on public health. In India too, government policies have played key role in performance of companies such as explicit control on drug prices in the form of drug price control order (DPCO). Further, the patent laws and related regulations might hamper company's plans to launch new products and cater to new markets.

Analytical Approach: Standalone

Applicable Criteria:

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

Liquidity - Adequate

ANG's liquidity position is adequate, supported by healthy cash flow generation from operations and adequate cushion in the form of recent enhancement of working capital limits and covid loans. The gross cash accruals of the company are expected to be sufficient to meet the debt repayment obligations of the company in medium term. In FY20, the gross cash accruals stood at Rs. 7.23 Cr as against the debt repayment of Rs. 2.66 Cr. The current ratio stood adequate at 1.43x in FY20. In the projected period FY 22 & 23, gross accrual is expected in the range of 15.50 to 16.31 crores against the term debt repayment obligation of 3.19 & 2.79 crores respectively.

About the Entity

ANG Lifesciences India Limited was incorporated in the year 2006. The company is engaged primarily in the business of manufacturing and marketing of finished pharmaceutical formulations in a dosage form of sterile dry powder injection vials. The company's product portfolio includes 100+ products comprising major therapeutic categories such as Cephalosporin's Antibiotics (Generation: I, II, III, IV), Antiviral, Antimalarial, Carbapenem, Corticosteroid, Antiulcer, Glycopeptides antibiotic, Penicillin & lactamase inhibitor.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	126.83	154.66
EBITDA	12.52	17.81
PAT	6.10	10.46

Total Debt	20.83	43.10
Tangible Net worth	34.32	44.78
Adjusted Tangible Networth	36.10	46.61
EBITDA Margin (%)	9.87	11.51
PAT Margin (%)	4.79	6.75
Overall Gearing Ratio (x) on Book TNW	0.61	0.96
Overall Gearing Ratio (x) on Net Adjusted TNW	0.53	0.89

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. 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.	Long term Fund Based Facilities	Long Term	34.27	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	-	-	-
2.	Short term Non-Fund Based Facilities	Long Term	20.00	IVR A3 (IVR A Three)	-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Ms. Navnica Mishra

Tel: (011) 24601142

Email: navnica.mishra@infomerics.com

About Infomerics:

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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 Fund Based Facilities Cash Credit	-	-	-	29.50	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)
Long term Fund Based Facilities WCTL under GECL	-	-	Oct, 2024	2.59	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)
Long term Fund Based Facilities Term Loan	-	-	Jul, 2023	2.18	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)
Short term Non-Fund Based Facilities Letter of Credit	-	-	-	15.00	IVR A3 (IVR A Three)
Short term Non-Fund Based Facilities Bank Guarantee	-	-	-	5.00	IVR A3 (IVR A Three)