



## Press Release

### P.K. Pharmatech Private Limited (PKPL)

July 13<sup>th</sup>, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Bank Facility – Cash Credit	6.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Short Term Bank Facility – Letter of Credit	16.90	IVR A4+ (IVR Single A Four Plus)
	<b>Total</b>	<b>22.90</b>	

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating derives strength from established track record and experienced management, moderate financial risk profile and CAGR revenue growth and moderate order book position. However, the rating strengths are partially offset by exposure to regulatory risk & intense competition, working capital intensive nature of operations and thin profitability margins.

#### Key Rating Sensitivities:

- **Upward Factor**
  - Substantial improvement in scale of operations, profitability margins and the debt protection metrics.
  - Substantial improvement in the working cycle management.
- **Downward Factor**
  - Substantial deterioration in the net profitability margins and/or working management cycle.

#### Key Rating Drivers with detailed description

#### Key Rating Strengths

- ***Established track record and experienced management:***

P.K. Pharmatech Private Limited (PKPL) is promoted and managed by Dr. Tarun Gupta, Mr. Basant Shrivastava & Mr. Rajesh Gupta. The promoters have been engaged in same industry since a long time now. The company has more than a decade's of operational track



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record in trading of APIs. The extensive experience of the promoters is also reflected through the established relationship with its suppliers and customers. Also, under the leadership of the current promoters and their established network, the company has been able to maintain growth momentum over the last few years, aided by two new business verticals (i.e. Indenting Services and Contract Manufacturing) apart from the authentic bulk distribution of APIs.

- ***Moderate financial risk profile:***

PKPL's financial risk profile is moderate marked by a moderate net worth, gearing levels and healthy debt protection metrics. The company's net worth stood at INR9.44 Crore as on March 31st, 2020 (Provisional) as compared to INR8.49 Crore as on March 31st, 2019 on account of accretion to reserves, which is in turn a result of improvement in scale of operations over the last four years. The total debt of INR6.41 Crore as on March 31st, 2020 (Provisional) includes working capital facility of INR4.80 Crore, outstanding term loan amounting to INR1.27 Crore and current maturities of long term debt of INR0.34 Crore. Owing to which the overall gearing levels stood comfortable at 0.68x as on March 31st, 2020 (Provisional) and 0.62x as on March 31st, 2019. The Interest Coverage ratio stood comfortable at 5.22x as on March 31st, 2020 (Provisional) as against 2.56x as on March 31st, 2019.

- ***CAGR Revenue growth and moderate order book position:***

On account of the company's partnership based approach, it has been able to establish its network and thus improve its revenue generation potential. Within a short span of 10 years, the company has seen a healthy improvement in the scale of operation. The overall top line improved at a CAGR of 19.38% in the last 4 years ended FY20 (Provisional). Further, the company has an overall order book position of INR20.30 Crore as on April 2020.

### **Key Rating Weaknesses**

- ***Exposure to regulatory risk and intense competition:***

PKPL, like other players in the pharmaceutical industry, remains exposed to high degree of regulations prevalent in the industry. Changes in the legal and regulatory environment such as price control on drugs, quality checks, changes in import duty, excise duty exemptions, changes in tax regime, etc. Also, the company is exposed to intense competition in



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organized and unorganized pharmaceutical sector due to low product differentiation and large number of players.

- ***Working capital intensive nature of operations:***

The company operates in a working capital intensive nature of business marked by high receivable days. The increase in GCA days are on account of high debtor outstanding at INR67.29 Crore as on March 31st, 2020 (Provisional) as against INR51.74 Crore as on March 2019. The debtor days thus stood high at 130 days in FY2020 (Provisional). Further, the average fund based working capital utilization for the past 12 months ending May 2020 stood at around 71%. Also, the TOL/TNW stood high at 7.21x as on March 31st, 2020 (Provisional) as against 6.37x as on March 31st, 2019.

- ***Thin profitability margins:***

The profitability margins of the company are low due to inherent nature trading business marked by low entry barriers & high competition. The operating margin of the company stood low at 2.49% in FY2020 (Provisional). The PAT margin stood low at 0.57% in FY2020 (Provisional) as against 0.60% in FY2019. However, the Return on Net Worth (RONW) stood modest at 10.59% in FY2020 (Provisional). The company's ability to improve its profitability shall be a key rating sensitivity.

**Analytical Approach & Applicable Criteria:**

Standalone Approach

Rating Methodology for Trading Entities

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: Adequate**

The company has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company maintains cash balances of INR2.74 Crore as on March 31st, 2020 (Provisional). Current ratio stood modest at 1.12x as on March 31st, 2020 (Provisional). The moderate order book position provides comfortable revenue visibility for the short-medium term which in turn shall help the company in maintaining decent cash accruals.



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### About the Company

Based in Mumbai (Maharashtra), P.K. Pharmatech Private Limited (PKPL) was incorporated in the year 2009. The company is engaged in trading of Active Pharma Ingredients (APIs) & Contract Manufacturing.

### Financials:

(INR Crore)

For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	148.90	143.04	167.43
EBITDA	1.78	2.07	4.16
PAT	0.59	0.86	0.95
Total Debt	9.51	5.30	6.41
Tangible Net-worth	7.63	8.49	9.44
EBITDA Margin (%)	1.20	1.45	2.49
PAT Margin (%)	0.40	0.60	0.57
Overall Gearing Ratio (x)	1.25	0.62	0.68

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. 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 Bank Facility – Cash Credit	Long Term	6.00	IVR BB+/Stable	--	--	--
2.	Short Term Bank Facility – Letter of Credit	Long Term	16.90	IVR A4+	--	--	--

**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](http://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. 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 Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	NA	NA	NA	6.00	IVR BB+/Stable
Short Term Bank Facility – Letter of Credit	NA	NA	NA	16.90	IVR A4+