



Press Release

Alkameyst Life Private Limited

December 01, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Issuer Rating	NA	IVR A- [Is] /Stable (IVR Single A minus [Is] with Stable Outlook)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The issuer rating assigned to Alkameyst Life Private Limited (ALPL) draws comfort from its conservative capital structure with improvement in financial performance and healthy near term revenue visibility. The rating also positively notes its asset light model of operations which enables the company to scale up its operations without incurring heavy capital expenditure. However, these rating strengths remain constrained due to its high geographical and customer concentration risk. The rating also considers high receivables and susceptibility of operations to regulatory restrictions.

Key Rating Sensitivities

Upward Factors:

- Significant 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 liquidity

Downward Factors:

- Decline in operating income and/or profitability on sustained basis
- Deterioration in the capital structure
- Elongation in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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- **Asset light model of operations**

ALPL follows asset-light model of operations and outsources its entire manufacturing to third parties. This enables the company to scale-up its operations without incurring significant capital expenditure and offers higher flexibility and lower overhead cost.

- **Conservative capital structure**

The Company has a healthy capital structure with no debt on its books as on March 31, 2020.

- **Improvement in financial performance in FY20 and healthy near term revenue visibility**

The total operating income of the Company has increased from Rs. ~256 Crore in FY18 to Rs. ~309 Crore in FY20, registering a CAGR of ~10%. Further, the company has maintained a healthy PAT margin in the range of ~3.5%-4% over the past three fiscals ending in FY20. Moreover, in H1FY21, net sales grew by ~4% on y-o-y basis to Rs.176.93 crore while EBITDA margin improved significantly by 155 bps owing to increase in sales of better margin products. Besides, ALPL's export order book as on November 6, 2020 stood at Rs.145 crore (to be completed within FY21) indicating a healthy near term revenue visibility.

Key Rating Weakness

- **Concentration risk**

The company's major sales are exports, mainly in semi-regulated/unregulated markets. Further, the company is exposed to increased customer concentration risk with the top five customers accounting for ~53% of the total revenues in FY20. ALPL also remains exposed to geographical concentration risk with major share of revenues coming from the Middle East region. However, the promoters have strong relationship with the counter parties with good understanding of the Middle East market which imparts comfort.

- **Operations exposed to regulatory restrictions**

The operations remain susceptible to regulatory restrictions in terms of pricing caps and product approvals in export destinations. With increasing focus on exports, timely product approval, in various semi-regulated markets, remains crucial for the growth of exports going forward.



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- **High receivables**

The debtor days remained high in FY20, owing to the high credit period offered to the customers. It stood at 118 days as on March 31, 2020 (107 days as on March 31, 2019). However, as on March 31, 2020, there was no receivables above 6 months. The company's exports are not LC backed, however its entire export receivables are covered under insurance.

Analytical Approach: Consolidated (including Hongkong based wholly owned subsidiary)

The list of companies considered for consolidated analysis is given in Annexure 2.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate

ALPL's liquidity position remains adequate, characterised by absence of debt and no major investments or capital expenditure planned in the near term.

About the Company

Incorporated in July 2013, Alkameyst Life Private Limited (erstwhile Polycot Exim Private Limited) was promoted by Mr. Ganesh Bhat for manufacturing and exports of textile chemicals and pharmaceutical products. After his untimely demise his brother-in-law Mr Bittu Lal continued the operations of the company focusing on contract manufacturing and exports of pharmaceutical products to emerging markets. The company follows an asset light model of operations and outsource its entire manufacturing to third parties. All plants are USFDA WHOGMP approved. ALPL is primarily into exports of pharmaceutical intermediates, bulk drugs and formulation to the emerging markets. The Anti-cancer drugs cover the major portion of the company's revenue (~60%). The Company is ISO 9001:2015, ISO14001:2015, ISO OHSAS 18001:2007 accredited.

Financials: Consolidated

	(Rs. crore)	
For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited



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For the year ended* / As On	31-03-2019	31-03-2020
Total Operating Income	280.74	308.65
EBITDA	17.05	17.98
PAT	11.35	11.64
Total Debt	0.00	0.00
Net worth	21.45	93.09
EBITDA Margin (%)	6.07	5.82
PAT Margin (%)	4.04	3.77
Overall Gearing Ratio (x)	0.00	0.00

*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 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.	Issuer Rating	NA	NA	IVR A-[Is]/ Stable	-	-	-

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



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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 Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Issuer Rating	-	-	-	NA	IVR A- [Is] / Stable

Annexure 2: List of companies considered for consolidated analysis

Name of the Company	Consolidation Approach
Dr. Ashleys Ltd (Formerly known as Fair Success (H.K) Limited)	Full consolidation