

36/CR/LEGAL/SE/2018/GBSL

April 10, 2018

To,
Listing Department,
Bombay Stock Exchange Limited,
Phiroze Jeejabhoy Towers, Dalal Street,
Mumbai – 400 001
Security Code : 509079

To,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Security Code : GUFICBIO

Dear Sir/Madam,

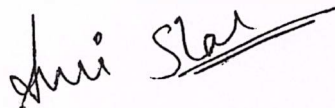
Sub.: Credit Rating for Bank Facilities availed by the Company

This is to inform you that the Rating Committee of CARE Ratings Limited (Formerly known as Credit Analysis & Research Limited) has reviewed the Long term Bank Facilities (fund based) availed by the Company for an amount of Rs. 25,00,00,000/- (Rupees Twenty Five Crores) from The Saraswat Co-Operative Bank Limited.

Enclosed is the credit rating, issued by the CARE Ratings Limited in this regard. Kindly take the same on record.

Yours faithfully,

For Gufic Biosciences Limited



Ami Naresh Shah
Company Secretary & Compliance Officer



CARE/HO/RL/2018-19/1146

Mr. Pranav Choksi,
Executive Director,
Gufic Biosciences Limited,
Dorr Oliver House, 2nd floor,
B.D.Sawant Marg, Chakala, Andheri (East),
Mumbai – 400 099

April 2, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY17 (audited) and 9MFY18 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities (fund based)	25.00	CARE BBB- [Triple B Minus] (Under Credit watch with developing implications)	Continues on credit watch with developing implications
Total	25.00 (Rupees Twenty Five crore only)		

2. Refer **Annexure 1** for details of rated facilities.
3. CARE will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

4. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 5, 2018, we will proceed on the basis that you have no any comments to offer.
5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
6. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
7. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



[Ruchi M Thacker]
Deputy Manager
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[Vikash Agarwal]
Senior Manager
vikash.agarwal@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure - 1

Details of Rated Facilities

Long-term facilities

Fund-based limits

Sr. No.	Lender	Type of Facility	Rated Amount (Rs. Crore)
1	Saraswat Bank	Cash credit	25.00
	TOTAL		25.00

Total Bank Facilities rated: Rs.25 crore

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Annexure - 2

Press release

Gufic Biosciences Limited

Rating

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Long-term Bank Facilities (fund based)	25.00	CARE BBB- [Triple B Minus] (Under Credit watch with developing implications)	Continues on credit watch with developing implications
Total	25.00 (Rupees Twenty Five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Gufic Biosciences Limited (GBL) continue to be under 'credit watch with developing implications' following the impending approval from various stakeholders for the amalgamation of Gufic Lifesciences Private Limited with GBL and the impact of the same on the credit profile of GBL. CARE will take a final view on the rating, once the exact implications of the above development on the business and overall credit profile of the GBL are clear.

The rating continues to derive strength from the established track record of operations and rich experience of the promoters in the pharmaceutical industry, consistent growth in revenues and profitability backed by a well-diversified product portfolio albeit small scale of operations, established expertise in the injectable segment with focus on lyophilisation products catering to reputed client base and accredited manufacturing facility. The rating is further strengthened by its moderate capital structure and debt coverage indicators.

However, the ratings continue to be constrained by elongated working capital cycle, and susceptibility of profit margins to any adverse movement in raw material prices. The ratings also factor in the funding support to group entities and operating in a highly regulated industry.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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Going forward, GBL's ability to improve its profitability margins whilst scaling of operations and improvement in capital structure through effective working capital management are key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Promoter's long standing experience in the pharmaceutical industry: GBL is promoted by Choksi family, who hold 65.73% stake directly or through group companies as on December 31, 2017 and are present in the pharmaceutical industry for more than five decades.

Diversified product portfolio with established brands spread across multiple therapeutic segments: The company's product segments include formulations, bulk drugs and consumer (over the counter products) and manufactures products in the areas of pharma, herbal, and consumer products. The product portfolio is well diversified marked by its presence in key therapeutic segments such as anti-fungal, anti-bacterial, anti-infective, anti-inflammatory including niche segments viz. critical care products with special focus on lyophilisation products. The company is engaged in contract manufacturing (CRAMS) of formulations for pharmaceuticals companies based in India and also, manufactures own brands of products and sells it through its own marketing channels.

Accredited manufacturing facility: GBL manufactures its products at three separate facilities at Navsari, Baroda and Belgaum. The Navsari facility manufacturing active pharmaceutical ingredients and formulations is a World Health Organisation (WHO), Good Manufacturing Practice (GMP) certified injectable manufacturing unit, catering to general and hormonal products for the Indian domestic and semi regulated markets internationally.

Improvement in profitability margins: Over the years, the company focused on manufacturing and marketing products under own brand under formulation segment. The same along with increased demand from export market (margin accretive), resulted in increase in profit before interest, depreciation and tax to 11.16% in FY17 from 9.96% in FY16. The increased demand from export market for injections at higher margins further strengthened the profitability in the company. The same in reflected in increase in PBILDT margins to 11.16% in FY17 from 9.96% in FY16.

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Moderate capital structure and debt coverage indicators: The overall gearing ratio remained comfortable at 1.58 times as on March 31, 2017. Furthermore, the PBILDT interest coverage and total debt/gross cash accruals remained at moderate levels at 4.82 times and 4.90 times in FY17 respectively.

Reputed client base under CRAMs: GBL has a reputed clientele comprising of leading global pharmaceutical companies and has maintained long term relations with these clients resulting in repeat orders.

Key Rating Weaknesses

Small scale of operations: Although, the total operating income is increased to Rs.250 crore in FY17 and Rs.228 crore in 9MFY18 (unaudited) on account of increased focus on export market. However, the company continues to remain a small sized player in pharmaceutical industry and is susceptible to any economic volatility or adverse business conditions.

Elongated working capital cycle: The company operates in a working capital intensive business due to considerable inventory held and credit period offered to domestic customers. In addition, the reduction of supplier credit in FY17 resulted in elongation of working capital cycle to 95 days in FY17.

Support to group entities: As on March 31, 2017, the loans and advances to related parties are outstanding at Rs.17.17 crore as against Rs.2.62 crore. The same is provided as a support group entity and is recoverable.

Highly regulated industry: The pharmaceutical industry is among the most regulated across the world and needs regular approvals from relevant drug authorities across countries. The time for obtaining approvals takes significant time and regulations governing the industry change from region to region.

Susceptibility of margins to any adverse movement in raw material prices: GPL procures majority of raw materials from domestic market and partly through imports. Thus, the profitability margins are susceptible to any adverse fluctuation in raw material prices.

Analytical approach: Standalone. Due to the impending approvals from various stakeholders for amalgamation of Gufic Lifesciences Private Limited with GBL, CARE has analysed the credit profile of GBL on a standalone basis.

Applicable Criteria

CARE's Policy on Default Recognition

Financials Ratio-Non Financial Sector

Criteria for placing rating on credit watch

Rating Methodology: Pharmaceutical Sector

Rating Methodology: Factoring Linkages in Ratings

About the Company

Incorporated in 1984, Gufic Biosciences Limited (GBL) is a pharmaceutical company closely held by Choksi family, who hold 65.73% equity stake directly or through group companies as on December 31, 2017. The company is primarily engaged in manufacturing formulations and active pharmaceutical ingredients (APIs) for various leading pharmaceutical companies in India. The company has established itself in the pharma, herbal and biotechnology business in India. GBL's key focus is in contract manufacturing and the intellectual property rights of the products manufactured under contract manufacturing remains with GBL for majority of the products.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	202.72	250.20
PBILDT	20.18	27.91
PAT	7.26	11.39
Overall gearing (times)	1.69	1.58
Interest coverage (times)	3.76	4.82

A: Audited

Status of non-cooperation with previous CRA: ICRA suspended its rating vide press release dated July 26, 2016 on account of non-cooperation by GBL with ICRA's effort to undertake a review of outstanding ratings.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

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Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Email: vikash.agarwal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument/facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	25.00	CARE BBB- (Under Credit Watch)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Dates & Ratings assigned in 2018-2019	Dates & Ratings assigned in 2017-2018	Dates & Ratings assigned in 2016-2017	Dates & Ratings assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	25.00	CARE BBB- (Under Credit Watch)	-	1) CARE BBB- (Under Credit watch with Developing Implications) (20-Nov-17) 2) CARE BBB- ; Stable (19-Apr-17)	1) CARE BBB- (16-Jun-16)	-

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