

Disinvestment clouds Bengal Chemicals' hopes

State governments that bought generic drugs from firm were questioning its ability to meet supply contracts

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Lack of clarity over the proposed disinvestment in Bengal Chemicals and Pharmaceuticals is threatening its turnaround.

A company executive said 16 state governments that bought generic drugs from Bengal Chemicals were questioning its ability to meet supply contracts as its future was yet to be decided by the Centre.

The Union Cabinet had in December approved strategic equity sales in Bengal Chemicals and Hindustan Antibiotics, in which it holds 100 per cent stakes.

"Questions are being asked by our clients over the future of the company," the executive said, adding this could dent sales and discourage potential customers.

P M Chandraiah, director of revenue who holds additional charge as acting managing director of Bengal Chemicals, said he was yet to receive any communication from the Centre over disinvestment.

Bengal Chemicals posted a revenue of ₹17.07 crore in 2013-14, 38 per cent lower than the previous year, and a loss of ₹36.55 crore. Since then, its earnings have climbed to ₹88.19 crore and losses have narrowed down to ₹9.13 crore in 2015-16.

In the second quarter of 2016-17, Bengal Chemicals reported a profit of ₹1.16 crore and expects its revenue in 2016-17 will cross ₹100 crore with a net profit of ₹4-5 crore.

Chandraiah, who joined the company in 2014, has



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Company performance in the last three financial years

| Overheads | 2013-14 | 2014-15 | 2015-16 |
|--------------|---------|---------|---------|
| Total income | 112.76 | 65.54 | 36.63 |
| Net sales | 88.19 | 45.84 | 17.06 |
| Gross margin | 11.24 | 1.65 | -20.36 |
| Gross loss | -36.55 | -17.32 | -9.13 |

Source: Bengal Chemicals and Pharmaceuticals

All figures in ₹ crore

Chemicals to become debt-free in 10 years. However, he cannot proceed because of uncertainty over the company's future.

He said plans were on for appointing medical representatives and sales agencies. Besides, the company is also planning to expand its home care chemicals business by 20 per cent a year.

"It all depends on what the government decides and in whose hands managerial control of this company is vested," Chandraiah said.

With an improvement in cash flow at the end of the third quarter of 2016-17, Bengal Chemicals has cleared ₹13

banks stands at ₹15 crore while the Centre is yet to recover ₹225 crore it had lent the company earlier.

"We were able to post a net profit for the first time since Bengal Chemicals' nationalisation in 1981. We are on a recovery track and given time we can pay off our debts," Chandraiah said.

Bengal Chemicals' accumulated losses are ₹262 crore and its net worth is a negative ₹184.6 crore.

A company executive has projected Bengal Chemicals' earnings from generic drugs can double to ₹130-140 crore by 2020 and the home care chemicals business