Press Release

V S International Private Limited

February 12, 2021

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.8.45 Cr.
Long Term Rating	ACUITE BB+/Outlook: Negative (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating to **'ACUITE BB+' (read as ACUITE B plus)** on the Rs.8.45 crore bank facilities of V S International Private Limited (VSPL). The outlook is **'Negative'**.

About the Company

VSPL, incorporated in 1997, is a Mumbai-based company promoted by Mr. Vidyut Shah, Mrs. Susie Shah and Mr. Purvesh Shah. VSPL is engaged in manufacturing of pharmaceutical drug formulations. The company's product portfolio includes formulations for antibiotics, antiviral, cardiovascular, neuropsychiatry, oncology, gastroenterology, pain management, diabetology and other specialties. VSPL is also engaged in trading of medical equipment and hospital furniture items, which are sold under the brand name of 'Mediwise'.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of VSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experience management**
  VSPL was incorporated in year 1997 and has an established presence of over 2 decades. The company is promoted by Mr. Vidyut Shah, Mrs. Susie Shah and Mr. Purvesh Shah with over 2 decades of experience in pharma industry. They have also developed strong relationship with customers and suppliers.
  Acuité believes that the company will continue to benefit with the promoters experience and its established presence in the industry, improving its business risk profile over the medium term.

- **Moderate financial risk profile**
  VSPL's financial risk profile is marked by moderate net worth, gearing (debt-equity) and debt protection metrics. The tangible net worth of the company stood at Rs.13.16 crore as on 31 March, 2020 as against Rs.13.15 crore as on 31 March, 2019. The total debt of Rs.18.97 crore as on 31 March, 2020 consist of Rs.7.78 crore of long term debt, Rs.6.33 crore of unsecured loans from directors and Rs.4.86 crore of short term debt. The gearing (debt-equity) stood at 1.44 times as on 31 March, 2020 as compared to 1.16 times as on 31 March, 2019. The Interest Coverage Ratio stood at 2.70 times for FY2020 as against 3.23 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.00 times as on 31 March, 2020 as against 1.79 times as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.12 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.64 times in FY2020 (Provisional) as against 2.94 times in FY2019.
  Acuité believes that the financial risk profile of VSPL will continue to remain moderate over the medium term in the absence of any major debt-funded capital expenditure.

Weaknesses

- **Intensive working capital cycle**
  The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 294 days in FY2020 and 156 days in FY2019. The receivable days stood at 102 days in FY2020 as against 70 days in FY2019. The inventory days stood at 132 days in FY2020 as against 52 days in FY2019. The average bank limit utilization remained utilized 100 percent for the past 6 months ending December 2020.
  Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

- **Highly fragmented and competitive industry**
  VSPL operates in chemical compounds industry, which is marked by the presence of several mid to big size players in the organized as well as unorganized sector, which limits the pricing power of VSPL. However, this risk is mitigated to an extent as the management has been operating in this industry for the last two decades.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Stretched

VSPL has stretched liquidity marked by high utilization of its working capital limits. The company generated cash accruals of Rs.2.30-3.50 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.0.20-1.30 crore over the same period. The company's working capital operation is intensive marked by Gross Current Asset (GCA) of 294 days in FY2020 as against 156 days in FY2019. The company maintains unencumbered cash and bank balances of Rs.0.68 crore as on March 31, 2020. The current ratio of the company stands healthy at 1.63 times as on March 31, 2020. The average bank limit utilization is around 100 percent for the last 6 months ending December 2020.

Outlook: Negative

The outlook continues to be 'Negative' as the credit profile is expected to impact by intermittent instances of over dues in the working capital facilities with the bank. The rating may be downgraded in case of re-occurrence of such irregularities and continued moderation in liquidity profile and its profitability margins, higher than expected debt funded capex leading to further deterioration in debt protection indicators. Conversely, the outlook may be revised to 'Stable' in case of significant and sustainable improvement in working capital management, thereby translating into a significant improvement in its liquidity profile, debt protection indicators and scale of operations and profitability margins.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	25.56	40.76
PAT	Rs. Cr.	0.04	1.13
PAT Margin	(%)	0.15	2.77
Total Debt/Tangible Net Worth	Times	1.44	1.16
PBDIT/Interest	Times	2.70	3.23

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
- Trading Entities: https://www.acuite.in/view-rating-criteria-61.htm
- Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Nov-2019	Term Loan	Long Term	6.15	ACUITE BB+/Negative (Reaffirmed and Outlook revised)
	Term Loan	Long Term	2.30	ACUITE BB+/Negative (Reaffirmed and Outlook revised)
07-Sept-2018	Term Loan	Long Term	6.15	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.30	ACUITE BB+/Stable (Assigned)
26-Sept-2017	Term Loan	Long Term	5.00	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	1.15	ACUITE BB+/Stable (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	April 2019	11.00	April 2013	5.04	ACUITE BB+/Negative (Reaffirmed)
PCFC/EPC	Not Applicable	Not Applicable	Not Applicable	3.41	ACUITE BB+/Negative (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022 49294041 aditya.gupta@acuite.in Vishal Kotian Analyst – Rating Operations Tel: 022 49294064 vishal.kotian@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022 49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.