

Press Release

Health Secure (India) Private Limited (Hsipl)

August 03, 2018

Rating Reaffirmed



| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 16.00 Cr. (Enhanced from Rs. 9.00 Cr.) |
| Long Term Rating | ACUITE B+ / Outlook: Stable (Reaffirmed) |
| Short Term Rating | ACUITE A4 (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the enhanced limit of Rs. 16.00 crore bank facilities of HEALTH SECURE (INDIA) PRIVATE LIMITED (HSIPL). The outlook is '**Stable**'.

Navi Mumbai based Health Secure India Private Limited was incorporated in 1997 by Mr. Anirudha T. Wankhede, Mr. Abhijit T. Wankhede and Mr. Arvind T. Wankhede. The company is engaged in the manufacturing of pharma products such as multivitamins, multi-minerals, Iron Supplement's, Vitamin A Solution, protein supplements among others for various State and Central Government Institutions. HSIPL has WHO-GMP Certified and NAFDAC approved manufacturing facilities. The manufacturing plant is located in Talaja, Navi Mumbai with an installed capacity to manufacture 15.55 Crore bottles of syrup per Annum, 15.12 Crore tubes per Annum, 5.83 Crore units of External & Powder preparations per Annum. Health Secure has been issued Food License (FSSAI) for manufacturing of dietary supplement's. Health Secure is registered vendors with UNICEF and other UN Agencies.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Health Secure India Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

HSIPL was incorporated in 1997 by Mr. Anirudha T. Wankhede, Mr. Abhijit T. Wankhede and Mr. Arvind T. Wankhede. The directors of HSIPL have been associated with the pharmaceutical industry for almost two decades and have gained an experience of dealing with reputed pharmaceutical manufacturers like Hindustan Unilever Ltd, Novartis, Intervet, Wander, Cipla, Meyer Organics to name a few. Acuite believes promoter's extensive experience and long track record of operations of the company in the pharmaceuticals industry has helped the company maintain and reclaim a healthy relationship with its customers and suppliers.

- **Reputed Customer Profile**

HSIPL supplies pharmaceutical products to various State Governments. It has a contract to manufacture 12 products for the Maharashtra Government and vitamin A solution for Government of Gujarat, Multivitamin Drops for West Bengal amongst others. As on date (16th July, 2018), HSIPL holds orders worth ~Rs.90.00 Cr for FY 2018-19, from various State Governments and some reputed pharmaceutical companies including Meyer Organics, Raman & Weil to name a few. Acuite believes HSIPL will be able to maintain a stable growth in revenue on the back of its reputed clientele.

Weaknesses

• Weak Financial Risk Profile

HSIPL has weak financial risk profile marked by weak tangible net worth of Rs.7.97 crore as on 31 March 2018 (Provisional) as against Rs. 6.21 crore as on 31 March 2017. The gearing (debt/equity) stood at 1.74 times as on 31 March 2018 (Provisional) as against 1.55 times as on 31 March 2017. The interest coverage ratio (ICR) improved to 2.17 times in FY2018 (Provisional) as against 1.31 times in FY2017. The debt service coverage ratio (DSCR) stood at 1.69 times in FY2018 (Provisional) as against 1.32 times in FY2017. Total outside liabilities to tangible net worth (TOL/TNW) ratio also improved to 4.96 times as on 31 March 2018 (Provisional) as against 9.74 times as on 31 March 2017. The net cash accruals for FY2018 (Provisional) stood at Rs. 1.77 crore as against the debt obligation of Rs. 0.43 crore in FY2017.

• Working Capital Intensive Nature of Operations

HSIPL's operations are working capital intensive marked by a high GCA of 333 days in FY2018 (Provisional) as against 497 days in FY2017. The improvement is on account of decrease in debtor days to 155 in FY2018 (Provisional) from 389 in FY2017. The reason for high debtor days is due to ~90 per cent of the company's revenue being generated from the Government. Further, the inventory days stood at 186 for FY2018 (Provisional) against 108 in FY2017.

Acuite believes HSIPL will be able to improve its working capital cycle intensity on account of addition of non-government clients.

Outlook: Stable

Acuite believes that HSIPL will maintain a stable outlook over the medium term owing to its established presence in the pharmaceutical industry. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 49.70 | 46.43 | 50.64 |
| EBITDA | Rs. Cr. | 2.26 | 1.94 | 2.96 |
| PAT | Rs. Cr. | 0.07 | 0.02 | 0.53 |
| EBITDA Margin | (%) | 4.54 | 4.18 | 5.85 |
| PAT Margin | (%) | 0.13 | 0.05 | 1.04 |
| ROCE | (%) | 8.43 | 9.51 | 14.34 |
| Total Debt/Tangible Net Worth | Times | 1.74 | 1.55 | 1.48 |
| PBDIT/Interest | Times | 2.17 | 1.31 | 1.81 |
| Total Debt/PBDIT | Times | 6.08 | 4.89 | 3.26 |
| Gross Current Assets (Days) | Days | 333 | 497 | 134 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-----------|---------------------------------|------------|------------------|------------------------------|
| 23-Apr-18 | Cash Credit | Long Term | INR 8.00* | ACUITE B+ (Indicative) |
| | Bank Guarantee | Short Term | INR 1.00* | ACUITE A4 (Indicative) |
| 25-Mar-17 | Cash Credit | Long Term | INR 8.00 | ACUITE B+/Stable (Upgraded) |
| | Bank Guarantee | Short Term | INR 1.00 | ACUITE A4 (Reaffirmed) |
| 03-Nov-15 | Cash Credit | Long Term | INR 8.00 | ACUITE B/Stable (Downgraded) |
| | Bank Guarantee | Short Term | INR 1.00 | ACUITE A4 (Reaffirmed) |

*Issuer not Cooperating

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---------------------------------|------------------|----------------|----------------|-----------------------------------|---------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 14.00 (Enhanced from Rs. 8.00 Cr) | ACUITE B+ / Stable (Reaffirmed) |
| Bank Guarantee/Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 (Enhanced from Rs.1.00 Cr) | ACUITE A4 (Reaffirmed) |

Contacts

| Analytical | Rating Desk |
|--|---|
| <p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141191 aditya.gupta@acuите.in</p> <p>Jyotsna Nebhnani Analyst - Rating Operations Tel: 022-67141122 jyotsna.nebhnani@acuiteratings.in</p> | <p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuите.in</p> |

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (Erstwhile SMERA Ratings 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.

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.