

Press Release

Centurion Remedies Private Limited

August 17, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.8.97 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed and Outlook Revised)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.8.97 crore bank facilities of Centurion Remedies Private L (CRPL). The outlook is revised from '**Negative**' to '**Stable**'.

Baroda based, CRPL was established as a proprietorship firm in 1986 by Mr. Ambalal Patel and converted into a private limited company in 2003. The current directors of CRPL are Mr. Dhruval Patel and Mr. Ambalal Patel. CRPL is engaged in the manufacturing of pharmaceutical formulations. The company has developed more than 300 generic products since its inception.

About the Group

Centurion Group includes Centurion Remedies Private Limited (CRPL) and Centurion Laboratories Private Limited (CLPL). The group is engaged in the manufacturing and exports of a wide range of veterinary and allopathic products, as well as generic formulations for merchant exporters, domestic formulators and state-level government bodies.

Analytical Approach

To arrive at this rating, Acuité has consolidated the business and financial risk profiles of Centurion Remedies Private Limited (CRPL) and Centurion Laboratories Private Limited (CLPL) together referred to as Centurion Group. The consolidation is in view of similarity in the line of business, common management, and operational synergies among the entities. Extent of consolidation: Full.

Key Rating Drivers

Strengths

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

CRPL was incorporated in 2003, prior to which the promoters of the company were associated with a proprietorship firm, engaged in pharmaceutical formulations. The directors of the company are Mr. Dhruval Patel and Mr. Ambalal Patel, who have amassed more than two decades of experience in the aforementioned line of business. The established track record of operations and experience of management has helped the group to maintain a diversified and reputed client base.

Acuité believes that Centurion Group will continue to benefit through the experienced management and established track record of operations.

- **Moderate financial risk profile**

The group has a moderate financial risk profile marked by moderate networth and above-average debt protection metrics. The net worth stood at Rs.32.75 crore (Prov) as on 31 March, 2020 as against Rs.23.42 crore as on 31 March 2019 due to healthy accretion to reserves.

The group has followed a moderately aggressive financial policy in the past, the same is reflected through its gearing levels of 2.56 times as on March 31, 2019. The gearing improved to 1.73 times (Prov) as on March 31, 2020 on account of reduction in working capital requirements and repayment of term loans.

Further, the interest coverage ratio improved to 7.05 times (Prov) for FY2020 as compared to 3.78 times for FY2019. Total outside liabilities to total net worth (TOL/TNW) stood at 4.21 times (Prov) as on 31 March, 2020 as against 4.34 times as on 31 March, 2019.

Acuité believes that financial risk profile of the group is likely to remain moderate over the medium term, on account of moderate networth and above-average debt protection metrics.

Weaknesses

- **Working capital intensive nature of operations**

The group's operations are intensive in nature with regards to working capital as reflected in Gross Current Assets (GCA) of 227 days (Prov) in FY2020 as against 211 days in FY2019. GCA days remained high due to debtor's collection period of 125 days (Prov) as on 31 March 2020 as compared to 107 days as on 31 March 2019.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the high debtor's collection period.

- **Competitive and fragmented nature of the industry**

The group operates in the pharmaceutical industry, which is characterised by large number of organised and unorganised players, leading to intense competition. However, the risk is mitigated to an extent due to the established track record of operations.

Liquidity position: Adequate

The group has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.12.04 crore (Prov) for FY2020 with debt repayment obligation of Rs.2.05 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.10.75 crore to Rs.12.16 crore during 2021-23 against debt repayment obligations in the estimated range of around Rs.2.05 crore per year in the same period. The average bank limit utilization for the past twelve months ended June 2020 remained ~79.75 percent for CRPL. The group's working capital operations are intensive, marked by 227 Gross Current Asset (GCA) days (Prov) for FY2020. CG maintains unencumbered cash and bank balances of Rs.7.38 crore (Prov) as on 31 March 2020. The current ratio stood at 1.48 times (Prov) as on 31 March 2020.

Acuité believes that the liquidity of the group is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

Rating Sensitivities:

- Improvement in profitability margins
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Outlook: Stable

Acuité believes that CRPL will maintain a 'Stable' outlook over the medium term backed by its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20(Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	208.67	151.18
PAT	Rs. Cr.	8.44	3.51
PAT Margin	(%)	4.04	2.32
Total Debt/Tangible Net Worth	Times	1.73	2.56
PBDIT/Interest	Times	7.05	3.78

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.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 the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-May- 2019	Term Loan	Long Term	0.30	ACUITE BBB- /Negative (Reaffirmed and Outlook Revised)
	Cash Credit	Long Term	4.50	ACUITE BBB- /Negative (Reaffirmed and Outlook Revised)
	Working Capital Term Loan	Long Term	0.17	ACUITE BBB- /Negative (Reaffirmed and Outlook Revised)
	Packing Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Letter of Credit/Buyer's Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
06-Mar-2018	Term Loan	Long Term	0.30	ACUITE BBB- /Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- /Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.17	ACUITE BBB- /Stable (Reaffirmed)
	Packing Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Letter of Credit/Buyer's Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
09-Jan-2018	Term Loan	Long Term	1.54	ACUITE BBB- (Indicative)

	Cash Credit	Long Term	4.50	ACUITE BBB-(Indicative)
	Working Capital Term Loan	Long Term	0.93	ACUITE BBB-(Indicative)
	Letter of Credit/Buyer's Credit	Short Term	1.00	ACUITE A3 (Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Indicative)

***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	Not Available	Not Applicable	Not Available	0.30	ACUITE BBB-/Stable (Reaffirmed and Outlook Revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-/Stable (Reaffirmed and Outlook Revised)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE BBB-/Stable (Reaffirmed and Outlook Revised)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Letter of Credit/Buyer's Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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