

Press Release

Centurion Remedies Private Limited

May 18, 2021



Rating Reaffirmed, Assigned and Withdrawn

Total Bank Facilities Rated*	Rs. 23.37 Cr (Enhanced from Rs. 8.97 Cr)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Assigned, Reaffirmed & Withdrawn)
Short Term Rating	ACUITE A3 (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-** (read as ACUITE triple B minus) and short term rating of '**ACUITE A3**' (read as ACUITE A three) on the Rs. 11.43 Cr bank facilities of Centurion Remedies Private Limited (CRPL). The outlook is '**Stable**'.

Acuité has assigned the long term rating of '**ACUITE BBB-** (read as ACUITE triple B minus) and short term rating of '**ACUITE A3**' (read as ACUITE A three) on the Rs. 11.94 Cr bank facilities of CRPL. The outlook is '**Stable**'.

Further, Acuité has withdrawn the long term rating of '**ACUITE BBB-** (read as ACUITE triple B minus) on the Rs. 0.47 Cr bank facilities of CRPL.

About the company

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 company is engaged in the manufacturing of generic formulations and also undertakes contract manufacturing apart from catering to merchant exporters and state government bodies in India. The manufacturing unit is located at Baroda, Gujarat.

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 government bodies. The group is promoted by Mr. Dhrupal Patel and Mr. Ambalal Patel who have more than 20 years of experience in the pharmaceutical industry.

Analytical Approach

Acuité has considered the consolidated view of the business and financial risk profiles of CRPL and CLPL to arrive at this rating. The aforementioned entities are collectively referred to as the Centurion Group. The consolidation is in view of the similar business model, common management, operational and financial synergies. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

Centurion Group was formed by Mr. Dhrupal Patel and Mr. Ambalal Patel in the year 1995. Mr. Dhrupal Patel is the group CEO and Mr. Ambalal V Patel is the group managing director. The promoters have been associated with the group for more than 20 years, thus establishing healthy relationships with customers and suppliers throughout the pharmaceutical industry, which is reflected from the diverse customer base of the group that comprises of government clients, private clients as well as international clients. Acuité believes that the group will continue to leverage its promoters' experience in order to continue establishing healthy relationships with its customers and suppliers.

- **Above-average Financial Risk Profile**

The financial risk profile of the group is above-average marked by moderate net worth, moderate gearing levels and healthy debt protection metrics and coverage indicators.

The net worth of the group is moderate at Rs. 29.45 Cr as on March 31, 2020. The net worth levels have improved from FY2019 to FY2020 on account of healthy ploughing back of profits.

The group has followed a moderately aggressive financial policy in the past and is continuing with the same policy, though its gearing levels improved to 1.84 times as on 31st March 2020 as against 2.60 as on 31st March 2019 and total outside liabilities to tangible net worth (TOL/TNW) levels improved to 4.19 times as on March 31, 2020 as against 4.40 as on 31st March 2019. Also, Debt-EBITDA improved from 5.44 times in FY2019 to 4.58 times in FY2020.

The group has registered improvement in debt coverage indicators as evident by debt-service-coverage-ratio of 3.12 times as on 31st March, 2020 as against 1.84 times as on 31st March, 2019 and interest coverage ratio of 9.72 times as on 31st March, 2020 as against 3.78 times as on 31st March, 2019.

Acuité believes that the financial risk profile of the group will continue to remain above-average over the medium term on account of healthy debt protection metrics and expected improvement in net worth and debt-coverage indicators.

Weaknesses

- **Highly competitive and fragmented industry**

Centurion group 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 Centurion group. However, this risk is mitigated to an extent as the management has been operating in this industry for the over two decades.

- **Improved yet intensive working capital operations**

Centurion group's working capital operations improved though remained intensive as marked by high Gross Current Asset (GCA) of 198 days in FY2020 compared to 219 days in FY2019. The GCA days are dominated by high receivables of 140 days in FY2020 while the inventory days stood at 60 days for FY2020. Centurion Group enjoys credit period of 214 days for FY2020 which has increased from 132 days in FY2019 from its suppliers, which has helped the group to meet its incremental working capital requirements. Current Ratio stood at 1.37 times as on 31 March 2020.

Acuité believes that Centurion group's operations will continue to remain intensive over the medium term on account of high receivables period.

- **Susceptibility of margins to forex risk**

The group generates ~40 per cent of its revenue through exports and imports ~5 per cent of its raw material requirements. The profitability of the company is exposed to fluctuation in the product prices as same constitutes significant portion of the total sales. The prices of the commodity fluctuate and are highly dependent on the demand and supply scenario in the global market. Hence, the margins of the Centurion group are exposed to volatility in foreign exchange. Hence, it faces foreign exchange risk on account of currency fluctuations in the absence of any hedging mechanism.

Rating Sensitivity

- Deterioration in profitability margins.
- Significant decline in scale of operations
- Substantial deterioration in working capital operations

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 9.60 Cr for FY2020 as against Rs. 2.42 Cr of repayment obligations for the same period. The group has unencumbered cash and bank balances of only Rs. 4.39 Cr as on 31st March 2020. Further, the fund-based working capital limits of Centurion Remedies Private Limited were utilized at an average of 88.86 per cent in the last six months ending February 2021. Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental working

capital requirements. Acuité believes that Centurion group's liquidity will continue to remain adequate over the medium term on account of healthy net cash accruals to its maturing debt obligations and in absence of any debt-funded capex.

Outlook: Stable

Acuité believes that Centurion group will continue to benefit over the medium term on account of the group's established presence in the formulation industry and experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected revenues and cash accruals while demonstrating improvement in the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the group's business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than-expected net cash accruals leading to significant stretch in the group's working capital cycle.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	198.27	145.38
PAT	Rs. Cr.	6.39	3.51
PAT Margin	(%)	3.22	2.42
Total Debt/Tangible Net Worth	Times	1.84	2.60
PBDIT/Interest	Times	9.72	3.78

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

None

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of Entities - <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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17-Aug-20	Cash Credit	Long term	4.50	ACUITE BBB-/Stable (Reaffirmed and Outlook Revised)
	Term Loan	Long term	0.30	ACUITE BBB-/Stable (Reaffirmed and Outlook Revised)
	Working Capital Term Loan	Long term	0.17	ACUITE BBB-/Stable (Reaffirmed and Outlook Revised)
	Packing Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
28-May-19	Cash Credit	Long term	4.50	ACUITE BBB-/ Negative (Reaffirmed and Outlook Revised)
	Term Loan	Long term	0.30	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	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
06-Mar-2018	Cash Credit	Long term	4.50	ACUITE BBB- /Stable (Reaffirmed)
	Term Loan	Long term	0.30	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	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	(0.30)	ACUITE BBB- (Withdrawn)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	(0.17)	ACUITE BBB- (Withdrawn)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Assigned)
Term Loan-I	Not Available	9.00%	Not Available	3.05	ACUITE BBB-/ Stable (Assigned)
Term Loan -II	Not Available	9.00%	Not Available	2.42	ACUITE BBB-/ Stable (Assigned)
Term Loan -III	Not Available	9.00%	Not Available	1.97	ACUITE BBB-/ Stable (Assigned)
Working Capital Term Loan	Not Available	9.00%	Not Available	2.00	ACUITE BBB-/ Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.93	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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