

March 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Working Capital Term Loan	15.00	SMERA B+/Stable (Assigned)
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.21.00 crore bank facilities of Uttaranchal Biotech Limited (UBL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management. The ratings also draw comfort from the strong financial support received by the company from its associate entity (i.e. Neon Laboratories Limited). However, the ratings are constrained by the company's working capital-intensive operations, weak business risk profile and negative net worth.

UBL, incorporated in 2005, is a New Delhi-based company engaged in manufacturing of pharmaceutical products. UBL benefits from its experienced management. Mr. Uttam K. Jain, director of UBL, has around three decades of experience in the pharmaceutical industry. UBL has made timely repayment of its term loan on the back of strong financial support from its associate entity viz. Neon Laboratories Limited.

UBL's weak business risk profile is marked by operating losses in FY2012-13 and FY2013-14. The company has registered operating profit of Rs.1.51 crore (provisional) on operating income of Rs.12.62 crore (provisional) during April 2014 to January 2015. UBL has reported negative net worth of Rs.5.92 crore as on March 31, 2014. The company's operations are working capital-intensive with gross current assets (GCA) of 320 days and collection period of 178 days in FY2013-14.

Rating sensitivity factors

- Ability to scale up operations in a profitable manner
- Working capital management
- Timely financial support from associate entity

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Outlook: Stable

SMERA believes UBL will maintain a stable business risk profile over the medium term on the back of experienced management and strong support from associate entity. The outlook may be revised to 'Positive' in case the company generates positive operating cash flows on account of improvement in capacity utilisation. The outlook will be revised to 'Negative' in case the company fails to achieve the projected growth in revenues, or in case of further deterioration in the company's financial risk profile.

About the company

UBL, incorporated in 2005, is a New Delhi-based company owned by Mr. Uttam K. Jain and Mr. Pravin K. Jain. UBL commenced commercial operations in January FY2012. The company is engaged in manufacturing of pharmaceutical products such as injectables, tablets, ointments and syrups. UBL has a manufacturing unit in Rudrapur, Uttarakhand.

For FY2013–14, UBL reported net loss of Rs.4.37 crore on operating income of Rs.11.89 crore, as compared with net loss of Rs.2.09 crore on operating income of Rs.4.63 crore in FY2012–13. The company's net worth was negative at Rs.5.92 crore as on March 31, 2014.

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