

Uttaranchal Biotech Limited: Reaffirmed

| Name of the Instruments | Amount (Rs Crore) | Ratings/Outlook |
|---------------------------|-------------------|------------------------------|
| Working Capital Term Loan | 15.00 | SMERA B+/Stable (Reaffirmed) |
| Cash Credit | 5.00 | SMERA B+/Stable (Reaffirmed) |
| Letter of Credit | 1.00 | SMERA A4 (Reaffirmed) |

SMERA has reaffirmed the long term rating of '**SMERA B+** (read as **SMERA B plus**) and short term rating of '**SMERA A4** (read as **SMERA A four**) on the Rs.21.00 crore bank facilities of Uttaranchal Biotech Limited (UBL). The outlook is '**Stable**'. The ratings continue to remain constrained by the modest scale of operations, weak financial risk profile and working capital intensive business. However, the ratings are supported by the experienced management and strong financial support received by the company from its associate entity, Neon Laboratories Limited.

Update

UBL has modest scale of operations with revenue of Rs.14.54 crore in FY2014-15 and Rs.22.77 crore in FY2015-16 (provisional). While the company incurred operating losses in FY2014-15, it has earned net profit of Rs.0.54 crore in FY2015-16 (provisional).

The company has weak financial risk profile marked by negative net worth of Rs.10.24 crore on account of accumulated losses of Rs.11.68 crore as on March 31, 2015. The company's operations are working capital-intensive with gross current assets (GCA) of 325 days and collection period of 194 days in FY2014-15.

However, the ratings continue to be supported by the experienced management. Mr. Uttam K. Jain, Director, 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.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Timely financial support from associate entity
- Efficient working capital management

Outlook-Stable

SMERA believes UBL will maintain a stable outlook in the medium term owing to the experienced management and strong support from its 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. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected growth in revenues or if the financial risk profile deteriorates.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

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

For FY2014-15, UBL reported net losses of Rs.4.31 crore on operating income of Rs.14.54 crore, as compared with net losses of Rs.4.37 crore on operating income of Rs.11.89 crore in FY2013-14. As per provisional results of FY2015-16, the company registered revenues of Rs.22.77 crore.

Rating History

| Date | Name of the Instruments | Size of the Issue (Rs. Crore) | Ratings | | Rating Outlook |
|----------------|---------------------------|-------------------------------|-----------|------------|----------------|
| | | | Long Term | Short Term | |
| 28 March, 2015 | Working Capital Term Loan | 15.00 | SMERA B+ | - | Stable |
| | Cash Credit | 5.00 | SMERA B+ | - | Stable |
| | Letter of Credit | 1.00 | - | SMERA A4 | - |

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ABOUT SMERA

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