

Press Release

August 09, 2017



Uttaranchal Biotech Limited

Rating Upgraded

Total Bank Facilities Rated *	Rs. 21.00 Cr
Long Term Rating	SMERA BB-/ Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 21.00 crore bank facilities of Uttaranchal Biotech Limited. The outlook is 'Stable'.

Uttaranchal Biotech Limited (UBL), part of the Neon group was incorporated in 2005. A New Delhi-based company, it was taken over by Mr. Uttam K. Jain and Mr. Pravin K. Jain in 2008. UBL commenced commercial operations in January 2012 to manufacture pharmaceutical products - injectables, tablets, ointments and syrups at Rudrapur, Uttarakhand.

Key Rating Drivers

Strengths

•Experienced Management

The promoters, Mr. Uttam K. Jain, Mr. Pravin K. Jain, Mr. Rahul A. Jain and Mr. Abhay U. Jain possess experience of over three decades in the pharmaceutical industry. The promoters are associated with Neon Laboratories Limited since inception (1985). The second line of management, i.e., Mr. Rahul A. Jain and Mr. Abhay U. Jain possess experience of almost a decade in the industry.

•Ongoing support from group companies

The flagship company, Neon Laboratories Limited (NLL) is engaged in a similar business. NLL purchases its entire requirement of dental anesthesia from UBL which is an indication of the strategic importance of UBL to NLL's business. More than 95 per cent revenue of UBL is generated from sale to NLL. Further, NLL infuses interest free unsecured loans regularly in UBL to avoid cash flow mismatches.

•Healthy financial risk profile

The financial risk profile is healthy marked by low gearing (debt to equity ratio) of 0.87 times as on 31 March, 2017 (Provisionals), an improvement from 2.14 times in 31 March, 2016. The net worth (including quasi equity) stood at Rs.12.04 crore as on 31 March, 2017 (Provisionals) as against Rs.7.45 crore as on 31 March, 2016. The interest coverage ratio (ICR) improved to 4.66 times in FY2017 (Provisionals) from 2.15 times in FY2016. The NCA/TD stood at 0.55 times in FY2017 (Provisionals). Further, SMERA believes that with repayment of long term loans, the financial risk profile will register improvement in the medium term.

Weaknesses

•Moderate scale of operations

UBL's scale of operations is moderate with operating income of Rs.30.06 crore in FY2016-17 (Provisionals) compared to Rs.22.77 crore in FY2015-16.

•Working capital intensive operations

UBLs operations are working capital intensive with gross current assets (GCA) days of 162 as on 31 March, 2017 (Provisionals) compared to 204 days in FY2016. The debtor days stood high at around 103 days in FY2017 as against 131 days in FY2016. The working capital limit has been fully utilised in the last three months ending June, 2017.

•Intense market competition

UBL faces intense competition from various pharmaceutical players in India and overseas which is likely to have an impact on its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone financials of UBL and has also factored in support from parent i.e. Neon Group while arriving at the rating.

Outlook: Stable

SMERA believes that UBL will maintain a stable outlook over the medium term owing to its experienced management and support from group entities. The outlook may be revised to 'Positive' in case the company registers higher than expected revenues and profitability coupled with improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected growth in revenues and profitability or if the company registers deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

For FY2016-17 (Provisionals), the company reported profit after tax (PAT) of Rs.4.59 crore on operating income of Rs.30.06 crore compared to PAT of Rs.0.68 crore on operating income of Rs.22.77 crore for FY2015-16. The networth (including quasi equity) stood at Rs.12.04 crore as on 31 March, 2017 (Provisionals) compared to Rs.7.45 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Criteria For Group And Parent Support - <https://www.smera.in/criteria-group.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Jun-16	Working Capital Term Loan	Long Term	15.00	SMERA B+ / Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	SMERA B+ / Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	SMERA A4 (Reaffirmed)
28-Mar-15	Working Capital Term Loan	Long Term	15.00	SMERA B+ / Stable (Assigned)
	Cash Credit	Long Term	5.00	SMERA B+ / Stable (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB- / Stable (Upgraded from SMERA B+/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable (Upgraded from SMERA B+/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Upgraded from SMERA A4)

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ABOUT SMERA

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