

## Press Release

**Uttaranchal Biotech Limited**

April 25, 2019



**Rating Reaffirmed, Assigned & Withdrawn**

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

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 6.00 crore bank facilities of UTTARANCHAL BIOTECH LIMITED (UBL). The outlook is '**Stable**'.

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 15.00 crore bank facilities of UTTARANCHAL BIOTECH LIMITED (UBL). The outlook is '**Stable**'.

Acuité has withdrawn long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 15.00 crore bank facilities of UTTARANCHAL BIOTECH LIMITED (UBL).

UBL, established in 2005, is a New Delhi-based company taken over by Mr. Uttam K. Jain and Mr. Pravin K. Jain and others in 2008. UBL manufactures Pharmaceutical Products in the form of Injectable, Tablets, Ointments and Syrups. The company majorly caters to its group/related companies.

### Analytical Approach

Acuité has considered the standalone financial and business risk profile of UBL to arriving at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

New Delhi-based company promoted by Mr. Uttam K. Jain, Mr. Pravin K. Jain, Mr. Rahul A. Jain and Mr. Abhay U. Jain. Mr Uttam Jain and Mr. Pravin possess experience of over three decades in Pharmaceutical industry. The promoters are associated with the Neon Laboratories Limited (UBL's parent company) since inception, which was in 1985. The second line of management i.e. Mr. Rahul A. Jain and Mr. Abhay U. Jain possess industry experience of almost a decade in pharmaceutical industry.

#### Weaknesses

- **Decline in scale of operations and increase in profitability**

UBL's revenues had declined to Rs.22.42 crore in FY2018 from Rs.29.29 crore in FY2017. However, the operating margins increased to 19.92 percent FY2018 from 17.95 per cent in FY2017. PAT margin declined to 7.49 percent in FY2018 from 7.82 percent in FY2017.

- **Weak financial risk profile**

The net worth of UBL stood at Rs. (5.58) crore as on 31 March, 2018 as against Rs.(7.26) crore as on 31 March, 2017. However, quasi equity of Rs.17.00 crore in FY2016 was withdrawn in FY2017. The Gearing (debt to equity) stood at (1.77) times as on 31 March, 2018 as against (1.50) times as on 31 March, 2017. The interest coverage ratio (ICR) stood at 2.82 times in FY2018 as against 2.95 times in FY2017. Debt Servicing Coverage Ratio (DSCR) has stood at 0.90 times in FY2018 as against 1.02 times in FY2017. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at (4.85) times in FY2018 as against (4.45) times in FY2017. Any further deterioration in financial risk profile will remain key monitorable.

- **Intensive working capital operations**

UBL's working capital operations are intensive in nature marked by Gross Current Asset (GCA) of 132 days for FY2018 as against 133 days in FY2017. Inventory days stood at 55 days in FY2018 as against 22 days in FY2017. The company had debtors outstanding of 74 days in FY2018 as against 103 days in FY2017. Further, the working capital facility was utilised up to 74 per cent on an average for the FY2019.

- **Intense market competition**

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

#### **Liquidity position**

UBL has weak liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.84 to 2.84 crore during the last three years through 2017-18, while its maturing debt obligations were around Rs.3.33 crore over the same period. The cash accruals of the company are estimated to remain around Rs.4.50 to 7.00 crore during 2019-21 while its repayment obligations are estimated to be nil. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 132 in FY 2018. This has led to lower reliance on working capital borrowings, the cash credit limit in the company remains utilized at 74 percent during the last 12 months period ended March 2019. The company maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2018. The current ratio of the company stands healthy at 2.21 times as on March 31, 2018.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

#### **Outlook: Stable**

Acuité 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's financial risk profile is further deteriorated along with deterioration in working capital.

#### **About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.42	29.29	22.77
EBITDA	Rs. Cr.	4.47	5.26	4.57
PAT	Rs. Cr.	1.68	2.29	0.68
EBITDA Margin	(%)	19.92	17.95	20.08
PAT Margin	(%)	7.49	7.82	2.99
ROCE	(%)	82.81	30.37	29.30
Total Debt/Tangible Net Worth	Times	-1.77	-1.50	2.14
PBDIT/Interest	Times	2.82	2.95	2.15
Total Debt/PBDIT	Times	2.21	2.07	3.47
Gross Current Assets (Days)	Days	132	133	195

#### **Any other information**

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### **Note on complexity levels of the rated instrument**

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Oct-2018	Working Capital Term Loan	Long Term	15.00	ACUITE BB- (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Indicative)
	Cash Credit	Long Term	5.00	ACUITE BB- (Indicative)
09-Aug-2017	Working Capital Term Loan	Long Term	15.00	ACUITE BB- / Stable (Upgraded from ACUITE B+/Stable)
	Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Upgraded from ACUITE B+/Stable)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Upgraded from ACUITE A4)
29-Jun-2016	Cash Credit	Long Term	5.00	ACUITE B+ / Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Working Capital Term Loan	Long Term	15.00	ACUITE B+ / Stable (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
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable (Withdrawn)

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**About Acuité Ratings & Research:**

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