

Press Release

Murli Krishna Pharma Private Limited

March 13, 2019



Rating Assigned

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 8.50 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Please note: In the press release of Murli Krishna Pharma Private Limited published on 06th March, 2019, the facilities mentioned in the annexure were incorrect. The correct position is incorporated in this press release.

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B** (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 8.50 crore bank facilities of Murli Krishna Pharma Private Limited (MKPL). The outlook is '**Stable**'.

Incorporated in 2004, MKPL is a Mumbai-based company promoted by Dr. Vijay Shastri and Mrs. Satya Ramani Vadlamani. The company is engaged in manufacturing and exporting of Pre-finished Formulation Intermediates for end products such as capsules and tablets. The company has its manufacturing unit located at Ranjangaon in Pune (Maharashtra) with installed capacity of 240 MTPA.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MKPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess industry experience of more than two decades. Mrs. Satya Ramani Vadlamani, Managing Director, possesses extensive experience of marketing and finance. Dr. Vijay Shastri possesses experience of nearly three decades in Research and Development of pharma industry.

Acuité believes that the company will benefit from its experienced management which helps the company maintain long standing relations with its customers and suppliers.

- **Average financial risk profile**

The financial risk profile is average marked by tangible net worth of Rs.12.71 crore as on 31 March, 2018 as against Rs.15.90 crore in the previous year. The net worth includes unsecured loan of Rs.4.99 crore as on 31 March, 2018 from promoters, which are treated as quasi equity based on the undertaking provided by the management that the same will be maintained in the business over the long term. The deterioration in net worth is due to decline in operating income. The gearing stood low at 0.85 times on 31 March, 2018 as against 0.88 times in the previous year. The total debt of Rs.10.84 crore includes term loan from bank of Rs.0.88 crore, working capital borrowings of Rs.8.64 crore and unsecured loan of Rs.1.32 crore. Interest Coverage Ratio (ICR) stood at negative 0.13 times for FY2018 as against 3.20 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.10 times as on 31 March, 2018 as against 2.16 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at negative 0.17 times in FY2018 compared to 0.23 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCA) of 294 days in FY2018 as compared to 319 days in FY2017. The GCA days are mainly dominated by high collection period of 143 days in FY2018 compared to 159 days in FY2017. The inventory holding stood at 119 days in FY2018 compared to 162 days in FY2017. Further, working capital is supported by high creditors of 222 days in FY2018. The average cash credit utilisation for the past six months stood at ~95 percent.

Acuité believes that efficient working capital management will be crucial in order to maintain a stable credit profile.

Liquidity

MKPL has weak liquidity marked by negative net cash accruals to its maturing debt obligations. MKPL generated negative cash accruals of Rs. 1.82 crore for FY2018, while its maturing debt obligations were Rs. 0.88 which was repaid by infusion of unsecured loans. The cash accruals of MKPL are estimated around Rs. 3.00 crore – Rs. 4.00 crore during 2019-21, while its repayment obligation is estimated to be nil. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 294 in FY 2018. This has led to higher utilization of working capital borrowings, the working capital limit in the firm remains utilised at 95 percent during the last 6 months period ended January, 2019.

Acuite believes that the liquidity of MKPL is likely to improve over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that MKPL's outlook will remain 'Stable' and the company will benefit over the medium term from the experienced management and average financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while maintaining profitability and working capital intensive operations. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 32.01 | 40.34 | 42.82 |
| EBITDA | Rs. Cr. | -0.24 | 5.86 | 6.67 |
| PAT | Rs. Cr. | -3.75 | 1.16 | 0.81 |
| EBITDA Margin | (%) | -0.75 | 14.52 | 15.59 |
| PAT Margin | (%) | -11.70 | 2.87 | 1.90 |
| ROCE | (%) | -7.86 | 14.75 | 40.64 |
| Total Debt/Tangible Net Worth | Times | 0.85 | 0.88 | 1.07 |
| PBDIT/Interest | Times | -0.13 | 3.20 | 3.95 |
| Total Debt/PBDIT | Times | -50.88 | 2.36 | 1.67 |
| Gross Current Assets (Days) | Days | 294 | 319 | 205 |

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

CARE, vide its press release dated February 04, 2019 had denoted the rating of Murli Krishna Pharma Private Limited as 'CARE D; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

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 |
|-------------|---------------------------------|------------|------------------|-----------------------|
| 22-Oct-2016 | Term Loan | Long Term | 5.05 | ACUITE D (Suspended) |
| | Cash Credit | Long Term | 1.60 | ACUITE D (Suspended) |
| | Packing Credit | Short Term | 3.90 | ACUITE D (Suspended) |
| | Letter of Credit | Short Term | 1.50 | ACUITE D (Suspended) |
| | Post Shipment Credit | Short Term | 1.00 | ACUITE D (Suspended) |
| | Term Loan | Long Term | 0.23 | ACUITE D (Suspended) |
| 01-Jun-2016 | Term Loan | Long Term | 5.05 | ACUITE D (Reaffirmed) |
| | Cash Credit | Long Term | 1.60 | ACUITE D (Reaffirmed) |
| | Packing Credit | Short Term | 3.90 | ACUITE D (Reaffirmed) |
| | Letter of Credit | Short Term | 1.50 | ACUITE D (Reaffirmed) |
| | Post Shipment Credit | Short Term | 1.00 | ACUITE D (Reaffirmed) |
| | Term Loan | Long Term | 0.23 | ACUITE D (Reaffirmed) |
| | Term Loan | Long Term | 5.05 | ACUITE D (Reaffirmed) |
| 12-Jun-2015 | Term Loan | Long Term | 5.05 | ACUITE D (Assigned) |
| | Cash Credit | Long Term | 1.60 | ACUITE D (Assigned) |
| | Packing Credit | Short Term | 3.90 | ACUITE D (Assigned) |
| | Letter of Credit | Short Term | 1.50 | ACUITE D (Assigned) |
| | Post Shipment Credit | Short Term | 1.00 | ACUITE D (Assigned) |
| | Term Loan | Long Term | 0.23 | ACUITE D (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 |
|------------------------|------------------|----------------|----------------|-----------------------------|------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 1.60 | ACUITE B / Stable (Assigned) |
| Packing Credit | Not Applicable | Not Applicable | Not Applicable | 3.90 | ACUITE A4 (Assigned) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE A4 (Assigned) |

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About Acuité Ratings & Research:

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