

## Press Release

### Premium Serums and Vaccines Private Limited (PSVPL)

12 March, 2018



### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs.22.00 Crore
<b>Long Term Rating</b>	SMERA B+/Stable (Downgraded from SMERA BB+/Stable)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has downgraded the long term rating on the Rs. 22.00 crore bank facilities of Premium Serums & Vaccines Private Limited (PSVPL) to '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA BB+**' (read as **SMERA Double B plus**). The outlook is '**Stable**'.

The downgrade is in view of decline in profitability which is likely to impact the company's ability to repay debt obligation. The downgrade in rating also factors in stretched liquidity position as reflected in continued stretch in working capital cycle.

Premium Serums & Vaccines Private Limited (PSVPL), based out at Mumbai is established in 2009 by Dr. Shyam Dhawan and Dr. Girish Kolwankar. The company is engaged in manufacturing intermediaries such as anti-snake venom serum, plasma and anti-rabies serum at Narayangaon (Maharashtra). The company has set up a manufacturing unit for vials (forward integration) resulting into production capacity of 10 lakh vials per annum. It's process are WHO-GMP certified.

### Key Updates

#### Strengths

#### Professionally qualified Promoters

The promoters of the company Mr. Shyam Dhawan and Mr. Girish Kolwankar are well-qualified as bachelor of Veterinary Science and have the vast knowledge to manufacture lifesaving anti venom/antitoxin products.

#### Niche product profile

PSVPL manufactures anti-snake venom serum (ASVS), anti-snake venom plasma, and anti-rabies serum that entails a complex manufacturing process. Being manufacturer of niche product, the company has increasing demand for vaccines in India. The company has started bidding for government tenders which will ensure sale of a particular quantity every year.

#### Moderate financial risk profile

The gearing improved to 1.22 times in FY2017 from 1.61 times in FY2016 with infusion of quasi capital of Rs.1.42 crore by promoters. The Interest Coverage Ratio improved to 9.34 times from 4.65 times mainly due to capitalisation of interest cost to fixed asset cost. The company generates net cash accruals of Rs.5.01 crore as against annual repayment of around Rs.3.24 crore in FY2017.

## Weaknesses

### Declining operating margins – expected to stabilise in the medium term

PSVPL's margins declined to 28.62 percent in FY2017 from 32.23 percent in FY2016 due to high raw material cost. The company expects improvement in margins as it has undertaken forward integration by commissioning its vial manufacturing facility in September 2017.

### Stretched working capital cycle

The stretched working capital cycle is reflected in the Gross Current Asset days of 103 in FY2017 as against 170 days in in FY2016 in the previous year. The inventory holding days stood at 85 in FY2017 and 165 days in FY2016. The creditor days stood at 110 in FY2017 and 237 in FY2016. The company has working capital with around 85 per cent utilisation of bank limits.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Premium Serums & Vaccines Private Limited to arrive at the rating.

### Outlook – Stable

SMERA believes that PSVPL will maintain a stable outlook owing to its experienced management. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.33	22.05	17.63
EBITDA	Rs. Cr.	7.54	7.11	6.08
PAT	Rs. Cr.	3.02	2.35	2.03
EBITDA Margin	(%)	28.62	32.23	34.49
PAT Margin	(%)	11.49	10.65	11.51
ROCE	(%)	19.11	24.68	29.01
Total Debt/Tangible Net Worth	Times	1.22	1.61	0.98
PBDIT/Interest	Times	9.34	4.65	5.38
Total Debt/PBDIT	Times	2.35	2.30	1.25
Gross Current Assets (Days)	Days	103	170	144

### Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entity in Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.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>

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

None

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
03-Nov, 2016	Term Loan	Long Term	5.40	SMERA BB+/Stable (Reaffirmed)
	Term Loan	Long Term	13.50	SMERA BB+/Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	SMERA BB+/Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.10	SMERA BB+/Stable (Reaffirmed)
31-Aug, 2015	Term Loan	Long Term	6.50	SMERA BB+/Stable (Assigned)
	Cash Credit	Long Term	2.00	SMERA BB+/Stable (Assigned)
	Proposed Term Loan	Long Term	13.50	SMERA BB+/Stable (Assigned)

### Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.40	SMERA B+/Stable (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	13.50	SMERA B+/Stable (Downgraded)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B+/ Stable (Downgraded)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA B+/ Stable (Downgraded)

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## ABOUT SMERA

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