

Press Release

Premium Serums and Vaccines Private Limited

February 11, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating of „**ACUITE D**“ (read as **ACUITE D**) from **ACUITE B+ (read as ACUITE B plus)** on the Rs. 22.00 crore bank facilities of Premium Serums and Vaccines Private Limited.

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. Its process is WHO-GMP certified.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of the company to arrive at the rating.

Key Rating Drivers

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.

Weaknesses

- **Delays in debt servicing**

There has been delay in repayment of interest and principal repayment of term loans due to stretched liquidity.

- **Deterioration in financial risk profile**

The financial risk profile is deteriorated marked by low net worth and weak debt protection measures and gearing. The net worth of the company is low at Rs.6.74 crore as on 31 March, 2018 as against Rs.8.69 crore as on 31 March, 2017. The gearing of the company has deteriorated to 4.13 times as on March 31, 2018 from 2.71 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) deteriorated to 6.09 times as on 31 March, 2018 from 3.98 times as on 31 March, 2017. The Interest Coverage Ratio (ICR) deteriorated to 2.78 times in FY2018 from 9.34 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) deteriorated to 0.07 times as on 31 March, 2018 from 0.21 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) deteriorated to 0.73 times for FY2018 from 1.47 times in FY2017.

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

The company has reported decline in revenue to Rs.15.50 crore for FY2018 from Rs.26.33 crore for FY2017. Further the operating margins of the company stood at 28.05 percent in FY2018 as against 28.62 percent in FY2017. Further it has registered net loss of Rs.1.96 crore as against net profit of Rs.3.02 crore.

- **Stretched working capital cycle**

The stretched working capital cycle is reflected in the high Gross Current Asset days of 239 in FY2018 as against 96 days in FY2017. The inventory days stood at 225 in FY2018 as against 85 days in FY2017. The working capital limit has been fully utilized and there has been an overdrawning in cash credit account.

Liquidity position

PSVPL has weak liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.31 to 1.95 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of Rs.3.15 to 3.73 crore over the same period. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 239 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the company remains fully utilized during the last 3 months period ended January 2019. The company maintains unencumbered cash and bank balances of Rs.0.15 crore as on March 31, 2018. The current ratio of the group stands weak at 0.53 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain weak over the medium term on account of deterioration in cash accrual and scale of operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.50	26.33	22.05
EBITDA	Rs. Cr.	4.35	7.54	7.11
PAT	Rs. Cr.	-1.96	3.02	2.35
EBITDA Margin	(%)	28.05	28.62	32.23
PAT Margin	(%)	-12.65	11.49	10.65
ROCE	(%)	1.37	19.11	39.05
Total Debt/Tangible Net Worth	Times	4.13	2.71	3.65
PBDIT/Interest	Times	2.78	9.34	4.65
Total Debt/PBDIT	Times	6.38	3.12	2.92
Gross Current Assets (Days)	Days	239	96	168

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

None.

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
12-Mar-2018	Term Loan	Long Term	5.40	ACUITE B+ / Stable (Downgraded from ACUITE BB+/Stable)
	Term Loan	Long Term	13.50	ACUITE B+ / Stable (Downgraded from ACUITE BB+/Stable)
	Cash Credit	Long Term	3.00	ACUITE B+ / Stable (Downgraded from ACUITE BB+/Stable)
	Proposed Term Loan	Long Term	0.10	ACUITE B+ / Stable (Downgraded from ACUITE BB+/Stable)
03-Nov-2016	Term Loan	Long Term	5.40	ACUITE BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	13.50	ACUITE BB+ / Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB+ / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.10	ACUITE BB+ / Stable (Reaffirmed)
31-Aug-2015	Term Loan	Long Term	6.50	ACUITE BB+ / Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BB+ / Stable (Assigned)
	Proposed Long Term Loan	Long Term	13.50	ACUITE BB+ / 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 Term Loan	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE D (Downgraded from ACUITE B+/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.40	ACUITE D (Downgraded from ACUITE B+/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE D (Downgraded from ACUITE B+/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE D (Downgraded from ACUITE B+/Stable)

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About Acuité Ratings & Research:

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