

Press Release

PREMIUM SERUM AND VACCINES PRIVATE LIMITED

November 12, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE D' (read as ACUITE D)** on the Rs. 22.00 crore bank facilities of PREMIUM SERUM AND VACCINES PRIVATE LIMITED (PSVPL).

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 business and financial risk profiles of PSVPL.

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.

- **Improvement in scale of operations and high profitability**

The company has reported increase in revenue marked by operating income of Rs.24.27 crore in FY2019 as against operating income of Rs.15.50 crore in FY2018. However, though the operating profitability has declined to 25.56 per cent in FY2019 from 28.05 per cent in FY2018, profitability is still on the higher side.

Weaknesses

- **Delays in debt servicing**

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

- **Intensive working capital operations**

The working capital of PSVPL is intensive in nature marked by high Gross Current Asset (GCA) days of 209 for FY2019 as against 239 in the previous year. Debtor days stood at 19 for FY2019 as against 46 for FY2018, further inventory days stood at 213 days in FY2019 as against 225 days in FY2018. However, the reliance on working capital facility is high, its utilization is around ~80 to 90 percent on an average for last 6 months ending September, 2019.

Acuité believes the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and low debt protection measures and high gearing. The net worth of the company is moderate at Rs.15.38 crore as on 31 March 2019 as against Rs.14.31 crore as on 31 March 2018. The gearing (debt to equity) of the company stood at 1.26 times as on March 31 2019 as against 1.42 times as on March 31 2018. Total debt of Rs.19.41 crore consists of term loan of Rs.14.55 crore and working capital of Rs.4.86 crore as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.10 times as on 31 March 2019 as against 2.34 times as on 31 March 2018. Further, Interest Coverage Ratio (ICR) stood at 2.43 times in FY2019 as against 2.78 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March 2019 as against 0.10 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 0.96 times in FY2019 as against 0.73 times in FY2018.

Material Covenants

Level of unsecured loan to be maintained during the currency of bank finance.

Liquidity Position: Stretched

PSVPL has stretched liquidity marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.47 crore in FY2019 as against Rs.1.95 crore in FY2018 and Rs.5.01 crore in FY2017, while its maturing debt obligation was around Rs.3.52 crore for FY2019 as against Rs.3.73 crore and Rs.3.24 crore in FY2018 and FY2017 respectively. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 209 in FY2019. Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains utilized at ~80 to 90 percent during the last 6 months' period ended September, 2019. The company maintains unencumbered cash and bank balances of Rs.0.28 crore as on March 31, 2019. The current ratio of the company stands at 0.68 times as on March 31, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	24.27	15.50	26.33
EBITDA	Rs. Cr.	6.21	4.35	7.54
PAT	Rs. Cr.	(2.10)	(1.96)	3.02
EBITDA Margin	(%)	25.56	28.05	28.62
PAT Margin	(%)	(8.67)	(12.65)	11.49
ROCE	(%)	1.99	1.37	19.11
Total Debt/Tangible Net Worth	Times	1.26	1.42	1.22
PBDIT/Interest	Times	2.43	2.78	9.34
Total Debt/PBDIT	Times	3.10	4.64	2.35
Gross Current Assets (Days)	Days	209	239	96

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
11th Feb 19	Term Loan	Long Term	5.40	ACUITE D (Downgraded from ACUITE B+/Stable)
	Term Loan	Long Term	13.50	ACUITE D (Downgraded from ACUITE B+/Stable)
	Cash Credit	Long Term	3.00	ACUITE D (Downgraded from ACUITE B+/Stable)
	Proposed Term Loan	Long Term	0.10	ACUITE D (Downgraded from ACUITE B+/Stable)
12th Mar 18	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)
3th Nov 16	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 Term Loan	Long Term	0.10	ACUITE BB+/Stable (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.20	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.33	ACUITE D (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE D (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.37	ACUITE D (Reaffirmed)

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About Acuité Ratings & Research:

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