

Press Release

Premium Serum and Vaccines Private Limited

January 04, 2021



Rating Upgraded

Total Bank Facilities Rated*	Rs. 25.50 Cr. (Enhanced from Rs.22.00 crore)
Long Term Rating	ACUITE B/Stable (upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE D**' (**read as ACUITE D**) on the Rs.25.50 crore bank facilities of Premium Serum and Vaccines Private Limited (PSVPL). The outlook is '**Stable**'.

Reason for revision in rating

The rating upgrade was on account of regularization of debt servicing by the company.

About the Company

Premium Serums & Vaccines Private Limited (PSVP), 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 in the 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 PSVPL 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. The extensive experience of the management has helped the company to maintain healthy relationship with its customers and suppliers.

Acuité believes that the company will continue to benefit from the experienced management and its relationship with the customers and suppliers.

Weaknesses

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

Scale of operations has deteriorated to Rs.24.00 crore in FY2020 (Prov.) from Rs.24.27 crore in FY2019. This is majorly because of the reduction in exports in the month of February and March, 2020, which was due to COVID-19 along with less demand. Operating margins deteriorated to 13.93 per cent in FY2020 from 25.56 per cent in FY2019. This is majorly because of the product mix. Company has profitability of around 5 per cent in plasma, 15 per cent in serum and 40 per cent in final product. Company has generated revenues of around Rs.22.00 crore for the period April to November, 2020 and it is expected to be around Rs.30.00 crore for FY2021.

Acuité believes that the scale of operations will increase in FY2021 owing to the increase in demand for the products.

- **Intensive working capital operations**

The working capital of PSVP is intensive in nature marked by high Gross Current Asset (GCA) days of 216 for FY2020 (Provisional) as against 209 in the previous year. This is majorly because of higher inventory days marked by 173 in FY2020 (Provisional) as against 213 in FY2019. This is majorly because of the processing time of these products. It takes minimum 1 month in case of owned animals and 6 months in case of new animals. Also stocking up of blood is one of the reason for higher inventory

days. Debtor days increased to 42 for FY2020 (provisional) as against 19 for FY2019. Further, the reliance on working capital facility is low, its utilization is around ~50 percent on an average for last 6 months ending July, 2020.

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

• **Average financial risk profile**

The financial risk profile is average marked by moderate net worth and low debt protection measures and high gearing. The net worth of the company is moderate at Rs.14.90 crore as on 31 March 2020 (provisional) as against Rs.15.38 crore as on 31 March 2019. The gearing (debt to equity) of the company stood at 1.26 times as on 31 March 2020 (provisional) and 31 March 2019. Total debt of Rs.18.84 crore consists of term loan of Rs.13.85 crore and working capital of Rs.4.99 crore as on 31 March 2020 (provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.93 times as on 31 March 2020 (provisional) as against 2.10 times as on 31 March 2019. Further, Interest Coverage Ratio (ICR) deteriorated to 1.06 times in FY2020 (provisional) as against 2.43 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.01 times as on 31 March 2020 (provisional) as against 0.18 times as on 31 March 2019. Debt Service Coverage Ratio (DSCR) deteriorated to 0.50 times in FY2020 (provisional) as against 0.96 times in FY2019.

Liquidity Position: Stretched

PSVP has stretched liquidity marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.19 crore in FY2020 (provisional) as against Rs.3.47 crore in FY2019 and Rs.1.95 crore in FY2018, while its maturing debt obligation was around Rs.1.84 crore for FY2020 (provisional) as against Rs.3.52 crore and Rs.3.73 crore in FY2019 and FY2018 respectively. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 216 in FY2020 (provisional). Further, the reliance on working capital borrowings is low, the cash credit limit in the company remains utilized at ~50 percent during the last 6 months' period ended July, 2020. The company maintains unencumbered cash and bank balances of Rs.0.69 crore as on 31 March, 2020 (provisional). The current ratio of the company stands at 0.85 times as on 31 March, 2020 (provisional).

Outlook: Stable

Acuité believes that PSVP will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in PSVP's operating income or profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability.
- Stretch in working capital cycle and deterioration in liquidity position.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Crore	24.00	24.27
Profit after tax (PAT)	Rs. Crore	(3.81)	(2.10)
PAT margin	%	(15.85)	(8.67)
Total debt / Tangible Net worth	Times	1.26	1.26
PBDIT / Interest	Times	1.06	2.43

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Nov-2019	Term Loan	Long Term	4.20	ACUITE D (Reaffirmed)
	Term Loan	Long Term	8.33	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE D (Reaffirmed)
	Proposed Term Loan	Long Term	0.10	ACUITE D (Reaffirmed)
	Proposed Bank Facility	Long Term	4.37	ACUITE D (Reaffirmed)
11-Feb-2019	Proposed Term Loan	Long Term	0.10	ACUITE D (Downgraded from ACUITE B+/Stable)
	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)
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)

***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	29-08-2015	10.65%	29-08-2022	4.20	ACUITE B-/Stable (Upgraded from ACUITE D)
Term Loan	29-08-2015	10.65%	29-08-2022	8.33	ACUITE B-/Stable (Upgraded from ACUITE D)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B-/Stable (Upgraded from ACUITE D)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.97	ACUITE B-/Stable (Upgraded from ACUITE D)

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About Acuité Ratings & Research:

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