

## Press Release

### Karvy Therapeutics Private Limited

October 06, 2021

#### Rating Withdrawn



<b>Total Bank Facilities Rated*</b>	Rs.8.90 crore
<b>Long Term Rating</b>	ACUITE BB- (Withdrawn)

\*Refer Annexure for details

#### Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.8.90 crore bank facilities of Karvy Therapeutics Private Limited (KTPL).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

#### About the rated entity

Incorporated in the year 1989, Karvy Therapeutics Private Limited (KTPL) is promoted by Mr. Jagdish Kothari along with his son Mr. Parag Kothari, and is engaged in manufacturing of fine chemicals and bulk drug intermediates. The manufacturing facility is located in the Lodhika region, which is about 10 kms from Rajkot in the state of Gujarat.

Over two decades, KTPL has established itself as manufacturer of drugs, drug intermediates, fine chemicals and specialty chemicals. The company is concentrating on diversification, turning towards fine chemicals and drug intermediates of forth coming generation that are less sensitive to cyclic trends and have higher added value in general.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of KTPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

The management has extensive experience over two decades in the field of manufacturing drugs, drug intermediates, fine chemicals & Specialty Chemicals. Due to longstanding experience it has developed healthy relations with its clients. The promoters have experience of almost three decades in the Active Pharmaceutical Industry.

- **Healthy financial risk profile and debt coverage levels**

The company has moderate financial risk profile marked by tangible net worth of Rs.12.75 crore as on March 31, 2021 (prov.) as against Rs.10.41 crore as on March 31, 2020. The gearing stood at 0.54 times as on March 31, 2021 (prov.) as against 0.89 times for FY2020. The debt of Rs.6.89 crore mainly consists of term loans of Rs.0.83 crore, unsecured loans of Rs.5.20 crore and short term borrowings of Rs.0.83 crore as on March 31, 2021 (prov.). Interest Coverage Ratio (ICR) improved at 4.55 times for FY2021 (prov.) as against 4.02 times in FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.92 times for FY2021 (prov.) as against 1.87 times in FY2020. TOL/TNW stood at 0.87 times for FY2021 (prov.) as against 1.38 times for FY2020. NCA/TD stood at 0.36 times for FY2021 (prov.) as against 0.16 times for FY2020.

##### Weaknesses

- **Moderate scale of operations**

Though the firm has been in existence for nearly two decades, operations remained modest with revenues of about Rs.16.84 crore in FY2021 (prov.) as against Rs.13.95 crore in FY2020. Acuite believes that the ability of the firm to increase the scale of operations would be the key rating sensitivity factor over the medium term.

### • **Working capital intensive operations**

The company is working capital intensive as marked by high gross current asset days (GCA) of 413 days in FY2021 (prov.) which deteriorated from 254 days in FY2020. The deterioration was marked with increase in inventory days of 366 days for FY2021 (prov.) from 69 days for FY2020. While on the other hand debtors days saw a decrease to 103 days for FY2021 (prov.) as compared to 179 days for FY2020. Acuite believes that the operations continue to be working capital intensive at similar levels over the medium term.

### • **Competitive and fragmented industry**

KTPL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

### **Rating Sensitivities**

- Improving scale of operations
- Any elongation of the working capital cycle.

### **Material Covenants**

None

### **Liquidity Position: Adequate**

The liquidity profile of the company stood moderate marked by moderate net cash accruals to its maturing debt obligations. The net cash accruals stood at Rs.2.50 crores in FY2021 (prov.) as compared to its negligible repayment obligations. The current ratio stood at 4.44 times for FY2021 (prov.) as compared to 1.77 times for FY2020.

### **Outlook: NA**

### **About the Rated Entity - Key Financials**

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	16.84	13.95
PAT	Rs. Cr.	2.34	1.32
PAT Margin	(%)	13.88	9.47
Total Debt/Tangible Net Worth	Times	0.54	0.89
PBDIT/Interest	Times	4.55	4.02

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

Not applicable.

### **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
03-Aug-2020	Cash Credit	Long Term	2.50	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	0.12	ACUITE BB-/Stable

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
				(Reaffirmed)
	Term Loans	Long Term	0.20	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	0.11	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	5.10	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	0.87	ACUITE BB-/Stable (Reaffirmed)
13-May-2019	Cash Credit	Long Term	2.50	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	0.12	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	0.20	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	0.11	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	5.10	ACUITE BB-/Stable (Reaffirmed)
	Term Loans	Long Term	0.87	ACUITE BB-/Stable (Reaffirmed)
16-Feb-2018	Cash Credit	Long Term	2.50	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	0.12	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	0.20	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	0.11	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	5.10	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	0.87	ACUITE BB-/Stable (Assigned)

**\*Annexure – Details of instruments rated**

Lenders Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Kotak Mahindra Bank Limited	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB- (Withdrawn)
	Term Loan	Not Available	Not Available	Not Available	0.12	ACUITE BB- (Withdrawn)
	Term Loan	Not Available	Not Available	Not Available	0.20	ACUITE BB- (Withdrawn)
	Term Loan	Not Available	Not Available	Not Available	0.11	ACUITE BB- (Withdrawn)
	Term Loan	Not Available	Not Available	Not Available	5.10	ACUITE BB- (Withdrawn)
	Term Loan	Not Available	Not Available	Not Available	0.87	ACUITE BB- (Withdrawn)

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### About Acuité Ratings & Research:

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