

Press Release

Richcore Lifesciences Private Limited (RLPL)

May 24, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.18 Cr. (Enhanced from Rs. 8.00 Cr.)
Long Term Rating	SMERA B- /Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

*Refer annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating to '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the enhanced amount of Rs. 15.18 cr. bank facilities of Richcore Lifesciences Private Limited (RLPL). The outlook is '**Stable**'.

Incorporated in 2005, RLPL is a Karnataka-based company engaged in processing of novel enzymatic solutions for industrial biotechnology, Animal origin free recombinant protein and enzymes for biopharma. The company is managed by a lead of experts with Mr. Subramani Ramachandrappa as the Managing Director and Chief Executive Officer.

Key rating drivers

Strengths

Experienced Management

The promoters, Mr. Subramani Ramachandrappa has experience of over two decades in the bio-pharmaceutical industry. He is an Engineer and MBA from Indian school of Business. RLPL has ISO9001:2015 certified R&D facility and GMP approved manufacturing plant under Central Government Authorities of India and various foreign Drug Regulatory Authorities.

Equity Infusion by promoter

The Share Capital of RLPL stood at Rs. 38.11 crore as on 31st March, 2017 up from Rs. 35.11 crore as on 31st March, 2016 and Rs. 30.12 crore in FY2015. The company has infused capital of Rs. 3.00 crore in FY2017.

Weaknesses

Below average financial risk profile

RLPL has average financial risk profile marked by average networth of Rs.19.43 crore as on 31st March, 2018 (Provisional) as compared to Rs. 20.82 crore as on 31st March, 2017 and Rs. 21.52 crore as on 31st March, 2016. The debt to equity ratio stood at 0.43 times as on 31st March, 2017 as compared to 0.29 times as on 31st March, 2016. Further the company has booked revenue of Rs. 22.31 crore in FY2018.

Working capital intensive operations

RLPL's operations are working capital intensive marked by Gross Current Asset (GCA) of 248 days in FY2017 compared to 255 days in FY2016. The GCA days are mainly dominated by debtor days of 104 days in FY2017 compared to 99 days in FY2016 whereas the inventory mainly comprises raw materials in the range of 50 to 60 days. The average cash credit utilisation for the past six months stood at ~95 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of RLPL to arrive at the rating.

Outlook – Stable

SMERA believes RLPL will maintain a stable business risk profile over the medium term. The concern will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the concern registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.00	22.95	8.02
EBITDA	Rs. Cr.	(2.48)	(2.30)	(11.65)
PAT	Rs. Cr.	(5.76)	(5.33)	(12.78)
EBITDA Margin	(%)	(11.28)	(10.02)	(145.16)
PAT Margin	(%)	(26.19)	(23.20)	(159.29)
ROCE	(%)	(16.29)	(13.22)	(59.70)
Total Debt/Tangible Net Worth	Times	0.43	0.29	0.66
PBDIT/Interest	Times	-1.64	-1.29	-3.74
Total Debt/PBDIT	Times	-5.19	-4.42	-1.88
Gross Current Assets (Days)	Days	248	255	661

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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. Cr.)	Ratings/Outlook
06-April-2018	Cash Credit	Long Term	3.72	SMERA B-/Stable (reaffirmed)
	Term loan	Long Term	3.78	SMERA B-/Stable (reaffirmed)
	Letter of Credit	Short Term	0.50	SMERA A4 (reaffirmed)
27-May-2017	Cash Credit	Long Term	2.00	SMERA B- (Indicative)
	Term loan	Long Term	5.50	SMERA B- (Indicative)
	Letter of Credit	Short Term	0.50	SMERA A4 (Indicative)
06-April-2016	Cash Credit	Long Term	2.00	SMERA B-/Stable (Assigned)
	Term loan	Long Term	5.50	SMERA B-/Stable (Assigned)
	Letter of Credit	Short Term	0.50	SMERA A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA B-/ Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	5.68	SMERA B-/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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