

## Press Release

### RICHCORE LIFESCIENCES PRIVATE LIMITED

June 07, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 20.18 Cr. (Enhanced from Rs.15.18 crore)
<b>Long Term Rating</b>	ACUITE B- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 13.55 crore bank facilities of RICHCORE LIFESCIENCES PRIVATE LIMITED. The outlook is '**Stable**'.

Acuité has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs. 6.63 crore bank facilities of RICHCORE LIFESCIENCES PRIVATE LIMITED. 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 Ramachandrapa as the Managing Director and Chief Executive Officer.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced Management**

The promoters, Mr. Subramani Ramachandrapa has experience of over two decades in the biopharmaceutical 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.

#### Weaknesses

- **Modest scale of operations and negative profitability**

The company has reported modest revenue growth with compounded annual growth rate (CAGR) of around 0.22 percent through the last four years ended 31 March, 2019 (Provisional). The company reported modest revenue growth of ~6.30 percent with operating income of Rs.23.10 crore in FY2019 (Provisional) as against operating income of Rs.21.73 crore in FY2018. The operating margins of the company stood negative marked by 2.87 percent in FY2019 (Provisional) as against 0.83 percent in FY2018. Further, profit after tax (PAT) margin stood negative marked by 28.65 percent in FY2019 (Provisional) as against 20.62 percent in FY2018. However, scale of operations and profitability is expected to improve backed by new product launches.

- **Intensive working capital operations**

RLPL has intensive working capital operations marked by high Gross Current Assets (GCA) of 213 days in FY2019 (Provisional) as against 272 days in FY2018. The inventory and debtors levels stood at 107 and 75 days in FY2019 (Provisional) as against 118 and 98 days in FY2018, respectively. As a result, the average utilization of bank limits stood at ~85 per cent in the last six months ending April, 2019. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of high inventory and debtor days.

• **Below average financial risk profile**

The financial risk profile is below average marked by modest net worth and weak debt protection measures and high gearing. The net worth of the company is modest at Rs.10.90 crore as on 31 March, 2019 (Provisional) as against Rs.16.88 crore as on 31 March, 2018. The gearing of the company has stood high at 1.21 times as on March 31, 2019 (Provisional) as against 0.82 times as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.99 times as on 31 March, 2019 (Provisional) as against 1.28 times as on 31 March, 2018. The modest revenue levels coupled with negative operating margins have resulted in weak debt protection measures. The Interest Coverage Ratio (ICR) stood negative at 0.33 times in FY2019 (Provisional) as against 0.20 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood negative at 0.20 times as on 31 March, 2019 (Provisional) as against 0.08 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood negative at 0.15 times for FY2019 (Provisional) as against 0.09 times in FY2018. Acuite believes that the financial risk profile of RLPL will continue to remain weak over the medium term on account of its modest scale of operations and net cash accruals.

**Liquidity Position**

RLPL has below average liquidity marked by negative net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.-1.05 to -2.66 crore during the last four years through 2016-19, while its maturing debt obligations were in the range of Rs.1.53 to 2.47 crore over the same period. The company's working capital operations are intensive marked by high gross current asset (GCA) days of 213 in FY 2019 (Provisional). This has led to higher reliance on working capital borrowings, the cash credit limit in the group remains utilized at ~85 percent during the last 6 months period ended May, 2019. The company maintains unencumbered cash and bank balances of Rs.1.19 crore as on March 31, 2019 (Provisional). The current ratio of the company stands at 0.81 times as on March 31, 2019 (Provisional).

Acuite believes that the liquidity of the company is likely to improve over the medium term on account of launch of 4 new products which is expected to boost the revenues and net cash accruals in the near future.

**Outlook: Stable**

Acuite believes that RLPL 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 company'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.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	23.10	21.73	22.00
EBITDA	Rs. Cr.	(0.66)	(0.18)	(2.48)
PAT	Rs. Cr.	(6.62)	(4.48)	(5.76)
EBITDA Margin	(%)	(2.87)	(0.83)	(11.28)
PAT Margin	(%)	(28.65)	(20.62)	(26.19)
ROCE	(%)	(16.85)	(10.46)	(16.29)
Total Debt/Tangible Net Worth	Times	1.21	0.82	0.43
PBDIT/Interest	Times	(0.33)	0.20	(1.64)
Total Debt/PBDIT	Times	(19.84)	53.87	(5.19)
Gross Current Assets (Days)	Days	213	272	243

**Any other information**

None.

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
06-April-2018	Cash Credit	Long Term	3.72	ACUITE B- / Stable (Reaffirmed)
	Term Loan	Long Term	3.78	ACUITE B- / Stable (Assigned)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Assigned)
27-May-2017	Cash Credit	Long Term	2.00	ACUITE B- (Indicative)
	Term Loan	Long Term	5.50	ACUITE B- (Indicative)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Indicative)
06-April-2016	Cash Credit	Long Term	2.00	ACUITE B- / Stable (Assigned)
	Term Loan	Long Term	5.50	ACUITE B- / Stable (Assigned)
	Letter of Credit	Short Term	0.50	ACUITE A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.05	ACUITE B- / Stable (Reaffirmed)
WCTL	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B- / Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.63	ACUITE B- / Stable (Assigned)

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**About Acuite Ratings & Research:**

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