

## Press Release

Centurion Laboratories Private Limited

May 28, 2019



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 19.18 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+** (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+** (**read as ACUITE A four plus**) to the Rs. 19.18 crore bank facilities of Centurion Laboratories Private Limited (CLPL). The outlook is '**Stable**'.

CLPL was incorporated in December 2006. The company has a production capacity of 840 crore tablets and 270 crore capsules per annum. The plant manufactures tablets between 10 and 100 mg. CLPL is promoted by Mr. Dhruv Patel and Mr. Ambalal Patel who have more than 20 years' experience in the pharmaceutical industry. CLPL commenced commercial operations in 2014 and caters to export customers.

### Analytical Approach

Acuité has taken the consolidated view on business and financial risk profile of Centurion Remedies Private Limited (CRPL) and CLPL. The aforementioned entities are collectively referred to as the Centurion Group. The consolidation is in view of the companies' similar business model, common management and business and financial synergies to arrive at the rating. Differential rating has been assigned to both the companies as CLPL started operations only in FY2014. Extent of consolidation: full.

### Key Rating Drivers

#### Strengths

- **Experienced promoters and established track record of operations of the group**

Centurion Group was promoted by Mr. Dhruv Patel and Mr. Ambalal Patel in 1995. Mr. Dhruv Patel is the current CEO of the companies and Mr. Ambalal V Patel is the current Managing Director. The promoters have been associated with the group for more than 20 years, thus establishing healthy relationships with customers and suppliers throughout the pharmaceutical industry, which can be seen in the diverse customer base of the group that comprises of Government clients, private clients as well as international clients.

- **Moderate financial risk profile**

Centurion Group has moderate financial risk profile marked by moderate net worth and gearing, and healthy debt protection metrics.

The net worth of Centurion Group stood moderate at Rs. 32.48 crore as on 31 March, 2019 (Prov.) as against Rs. 26.71 crore in FY2018, which includes unsecured loans of Rs.6.81 crore considered as quasi equity. Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 3.07 times as on 31 March, 2019 (Prov.) as against 3.15 times in the previous year. Gearing stood at 1.54 times as on 31 March, 2019 (Prov.) as against 0.89 times in the previous year. Total debt of Rs.48.79 crore as on March 31, 2019 (Prov.) comprises of long term loans from bank worth Rs.12.97 crore, unsecured loans from promoters and relatives of Rs. 25.13 crore and short term working capital debt from bank of Rs.10.68 crore.

Interest coverage ratio (ICR) stood healthy at 4.57 times for FY 2019 (Prov.) as against 4.35 times in the previous year. Debt Service Coverage Ratio (DSCR) stood at 1.07 times for FY2019 (Prov.)

against 1.28 times for FY2018. Further, the net cash accruals of the group stood healthy at Rs.6.59 crore for FY2019 (Prov.) against a debt obligation of ~ Rs.2.73 crore. Acuité believes that the financial risk profile of the group will improve in the near to medium term backed by improving accruals in CLPL.

### **Weaknesses**

- **Working capital intensive operations**

The operations of Centurion Group are working capital intensive marked by high gross current assets (GCA) of 219 days in FY2019 (Prov.) as against 170 days in FY2018 mainly due to increase in debtors. The group maintains raw material inventory of ~50 days and finished goods inventory of around 2 days. Centurion Group extends credit period of up to 120 days to its customers. On the other hand, the group gets a credit period of 60-90 days from its suppliers. The group generated cash accruals of Rs. 18.62 crore cumulatively over the last three years through 2018. On the other hand, the incremental working capital requirements and routine capex amounted to ~Rs.18.12 crore, which was mostly done using internal accruals and unsecured loans, leading to moderate reliance on external debt which is visible through an average CC utilisation of ~70 per cent during the last 3 months ended April 2019.

- **Susceptibility of margins to forex risk**

The group generates ~20 per cent of its revenue through exports and imports ~4-5 per cent of its raw material requirements. Hence, it faces foreign exchange risk on account of currency fluctuations in the absence of any hedging mechanism.

### **Liquidity Position:**

Centurion Group has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. Centurion Group generated cash accruals of Rs.5.77-6.59 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 2.73-5.99 crore over the same period. The cash accruals of Centurion Group are estimated to remain in the range of Rs. 7.14-11.19 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 2.75-4.15 crore. Centurion Group maintained unencumbered cash and bank balances of Rs. 0.64 crore as on March 31, 2019 (Provisional). The current ratio of the group stood moderate at 1.56 times as on March 31, 2019 (Provisional). The group is likely to incur capex of Rs.15.00 crore over the medium which is likely to be funded by equity and external borrowing in the ratio of 44:56. Acuité believes that the liquidity of the group is likely to remain moderate over the medium term on account of moderate cash accruals over the medium term.

### **Outlook: Stable**

Acuité believes that CLPL will continue to benefit over the medium term on account of the group's established presence in the formulation industry and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and cash accruals while demonstrating improvement in the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the group's business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than-expected net cash accruals leading to significant stretch in the group's working capital cycle.

### **About the Group**

Centurion Group comprises of two companies Viz. CRPL and CLPL. Baroda based, CRPL was established as a proprietorship firm in 1995 by Mr. Ambalal Patel and converted into a private limited company in 2003. The company is engaged in the manufacturing of generic formulations and also undertakes contract manufacturing apart from catering to merchant exporters and state government bodies in India. The company has ISO 9001:2000 and WHO-GMP certifications and its manufacturing unit is located at Baroda (Gujarat).

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

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	151.79	160.21	120.59
EBITDA	Rs. Cr.	9.09	9.43	8.24
PAT	Rs. Cr.	3.95	2.33	1.56
EBITDA Margin	(%)	5.99	5.89	6.83

PAT Margin	(%)	2.60	1.46	1.30
ROCE	(%)	9.90	12.44	10.18
Total Debt/Tangible Net Worth	Times	1.54	0.89	1.26
PBDIT/Interest	Times	4.57	4.35	4.69
Total Debt/PBDIT	Times	5.43	2.49	2.65
Gross Current Assets (Days)	Days	219	170	147

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

Not applicable.

#### **Any other information**

None.

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Consolidation of Companies - <https://www.acuite.in/criteria-22.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
06-Mar-2018	Cash Credit	Long Term	5.00 (Enhanced from Rs.2.00 crore)	ACUITE BB+/Stable (Reaffirmed)
	Term Loan 1	Long Term	4.02	ACUITE BB+/Stable (Reaffirmed)
	Term Loan 2	Long Term	2.78	ACUITE BB+/Stable (Reaffirmed)
	Term Loan 3	Long Term	2.08	ACUITE BB+/Stable (Reaffirmed)
	Packing Credit	Long Term	0.80	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit/Buyer's Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
27-Dec-2017	Cash Credit	Long Term	2.00	ACUITE BB+/Stable (Reaffirmed)
	Term Loan 1	Long Term	10.68	ACUITE BB+/Stable (Reaffirmed)
	Term Loan 2	Long Term	4.50	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+/Stable (Reaffirmed)
Term Loan 1	Not Applicable	Not Applicable	Not Applicable	4.02	ACUITE BB+/Stable (Reaffirmed)

Term Loan 2	Not Applicable	Not Applicable	Not Applicable	2.78	ACUITE BB+/Stable (Reaffirmed)
Term Loan 3	Not Applicable	Not Applicable	Not Applicable	2.08	ACUITE BB+/Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE BB+/Stable (Reaffirmed)
Letter of Credit/Buyer's Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Reaffirmed)

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## About Acuité Ratings & Research:

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