



## Press Release

### Panacea Medical Technologies Private Limited

October 07, 2019

#### Rating Reaffirmed & Assigned

|                                     |   |
|-------------------------------------|---|
| <b>Total Bank Facilities Rated*</b> | Rs. 30.60 crore<br>(Enhanced from Rs. 23.60 crore)      |
| <b>Long Term Rating</b>             | ACUITE BB+ / Outlook: Stable<br>(Reaffirmed & Assigned) |
| <b>Short Term Rating</b>            | ACUITE A4+<br>(Reaffirmed & Assigned)                   |

\* Refer Annexure for details

#### Rating Rationale

Acuité has reaffirmed its 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) on the Rs. 22.78 crore bank facilities of PANACEA MEDICAL TECHNOLOGIES PRIVATE LIMITED (PMTPL). The outlook is '**Stable**'.

Acuité has assigned 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) on the Rs. 7.82 crore bank facilities of PMTPL. The outlook is '**Stable**'.

Incorporated in 1999, PMTPL was promoted by Mr. G.V Subramanyam. The company is engaged in the manufacturing of medical equipment for radiology and radiotherapy. It has tie-ups with Bhabha Atomic Research Centre (BARC) and Society for Applied Microwave Electronic Engineering and Research (SAMEER).

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Established track record and experienced management**

PMPPL was incorporated in 1999. The Managing Director, Mr. Subramanyam, has experience of over three decades in the medical equipment industry. The company is also supported by other highly qualified and experienced Directors, Ms. Valli, Ms. Bala Despande, Mr. Tarun Sharma and Mr. Y. Ramann, with experience of more than two decades in the aforementioned line of business.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by healthy net worth, low gearing, healthy debt protection metrics and coverage indicators.

The net worth of PMTPL is healthy, estimated at around Rs. 48.13 crore as on 31 March, 2019. The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.33 times as on March 31, 2018 and 0.54 times as on March 31, 2018. The leverage levels continue to remain low at around 0.45 times as on March 31, 2019. PMTPL's healthy cash accruals to the tune of about Rs. 4.81 crore have also supported in minimizing the reliance on external debt, thereby leading to healthy gearing and absolute debt levels of 0.45 times and Rs. 21.61 crore as on March 31, 2019, respectively. The total debt of Rs. 21.61 crore as on 31 March, 2019 comprises of long-term borrowings of Rs. 12.56 crore from banks and research councils like Biotechnology Industry Research Assistance Council (BIRAC), Technology Development Board (TDB), unsecured loans of Rs. 0.07 crore and working capital borrowings to the tune of Rs. 8.98 crore. PMTPL's

cash accruals over the next two years through 2021 are estimated to remain in the range of Rs. 4.75 crore to Rs. 5.39 crore, which are adequate to service its repayment obligations and support its incremental working capital requirements to a certain extent.

The revenues of the company have gone up to Rs. 34.92 crore during FY2018-19 as against Rs. 28.08 crore in FY2017-18, and its operating margins are healthy at 21.21 per cent in FY2019. The low debt levels have led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 were healthy at 0.22 per cent and 4.68 times, respectively.

Acuité believes that the financial risk profile of PMTPL will continue to remain healthy over the near to medium term.

- **Reputed clientele along with moderate order book**

PMT has technological collaboration and support from major government agencies. The company has installed medical equipment in several hospitals including those run by the state government and charitable trusts. Further, PMT has moderate order book position marked by current orders-in-hand of Rs. 46.86 crore to be executed by September 2019, which leads to moderate revenue visibility over the medium term.

### **Weaknesses**

- **Moderate scale of operations and profitability**

PMTPL has modest scale of operations with the operating income of Rs. 34.92 crore for FY2019 as against Rs. 28.08 crore for FY2018. The revenue depends on the number of successful bids and tenders released by the government in the financial year. The operating margins (EBIDTA) stood at 21.21 per cent for FY2019 as against 15.35 per cent for FY2018. Further, the Profit after tax (PAT) margin stood at 11.33 per cent as against 4.94 per cent in FY2018.

- **Working capital intensive operations**

The operations of PMTPL are working capital intensive marked by high Gross Current Assets (GCA) of 591 days in FY2019 as against 746 days in FY2018. The high GCA days are mainly on account of high inventory holding of 282 days in FY2019 as against 295 days in FY2018. Out of the total inventory, there is certain portion of proto-type inventory as well. The prototype inventory is of new product and is expected to remain in the business for more than a year. The company has high debtors' days of 325 days as on 31 March, 2019 as against 358 days as on 31 March, 2018. The average working capital limit utilization has been more than 80 per cent in the last six months ended August 2019.

- **Exposure to foreign exchange fluctuations**

The company imports about 45 per cent (in FY2019) of raw material from various geographies and exports ~42 per cent (in FY2019) of its sales to developing countries. Thus, the company is exposed to forex fluctuation risk. However, the same is partly offset through natural hedging as the company maintains EEFC account and exports sales.

### **Rating Sensitivity Factor**

- Improvement in working capital operations (GCA days <300 days).
- Substantial improvement in scale of operation (~Rs. 50.00 crore to Rs. 55.00 crore), while maintaining profitability margin of around 18 to 20 per cent over the medium term.

### **Material covenants**

None

### **Liquidity: Adequate**

The company has adequate liquidity profile marked by moderate net cash accruals to its repayment obligations in the near term. The company generated cash accruals of Rs. 4.81 crore for FY2019, while its maturing debt obligations are around Rs. 2.16 crore for the same period. The cash accruals of the company are estimated to remain around Rs. 4.75 crore to Rs. 6.27 crore during FY2020-22 against repayment obligations of around Rs. 2.31 crore. PMTPL's working capital operations are intensive marked by gross current asset (GCA) of 591 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.76 crore as on 31 March, 2019. The current ratio stood low at 3.73 times as on 31 March, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against debt repayments over the medium term.

### **Outlook: Stable**

Acuité believes that PMTPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its 'extensive experience of promoters' and 'healthy financial risk profile'. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, thereby impacting its financial risk profile, particularly its liquidity.

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

|                               | Unit    | FY19<br>(Actual) | FY18<br>(Actual) | FY17<br>(Actual) |
|-------------------------------|---------|------------------|------------------|------------------|
| Operating Income              | Rs. Cr. | 34.92            | 28.08            | 33.46            |
| EBITDA                        | Rs. Cr. | 7.41             | 4.31             | 5.31             |
| PAT                           | Rs. Cr. | 3.96             | 1.39             | 2.96             |
| EBITDA Margin                 | (%)     | 21.21            | 15.35            | 15.88            |
| PAT Margin                    | (%)     | 11.33            | 4.94             | 8.86             |
| ROCE                          | (%)     | 11.00            | 6.70             | 11.21            |
| Total Debt/Tangible Net Worth | Times   | 0.45             | 0.33             | 0.29             |
| PBDIT/Interest                | Times   | 4.68             | 3.14             | 2.53             |
| Total Debt/PBDIT              | Times   | 2.67             | 3.11             | 2.28             |
| Gross Current Assets (Days)   | Days    | 591              | 746              | 402              |

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

Not Applicable

### **Any other information**

Not Applicable

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Up to previous three years)

| Date              | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook  |
|-------------------|---------------------------------|------------|------------------|--|
| February 18, 2019 | Cash Credit                     | Long term  | 5.00             | ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/ Stable) |
|                   | Term Loans                      | Long term  | 1.10             | ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/ Stable) |
|                   | Term Loans                      | Long term  | 4.50             | ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/ Stable) |
|                   | Proposed Term Loans             | Long term  | 4.00             | ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/ Stable) |
|                   | Bank Guarantee                  | Short Term | 4.00             | ACUITE A4+ (Downgraded from ACUITE A3)                   |
|                   | Letter of Credit                | Short Term | 5.00             | ACUITE A4+ (Downgraded from ACUITE A3)                   |
| November 20, 2017 | Bank Guarantee                  | Short Term | 5.00             | ACUITE A3 (Reaffirmed)                                   |
|                   | Proposed letter of credit       | Short Term | 1.00             | ACUITE A3 (Assigned)                                     |
|                   | Cash Credit                     | Long term  | 5.00             | ACUITE BBB-/ Stable (Reaffirmed)                         |
|                   | Term Loan                       | Long term  | 1.10             | ACUITE BBB-/ Stable (Reaffirmed)                         |
|                   | Term Loan                       | Long term  | 2.40             | ACUITE BBB-/ Stable (Withdrawn)                          |
|                   | Term Loan                       | Long term  | 4.50             | ACUITE BBB-/ Stable (Assigned)                           |
|                   | Proposed Long Term Loan         | Long term  | 3.00             | ACUITE BBB-/ Stable (Assigned)                           |
|                   | Letter of Credit                | Short Term | 4.00             | ACUITE A3 (Reaffirmed)                                   |
| November 26, 2016 | Cash Credit                     | Long term  | 5.00             | ACUITE BBB-/ Stable (Assigned)                           |
|                   | Term Loan                       | Long term  | 1.10             | ACUITE BBB-/ Stable (Assigned)                           |
|                   | Term Loan                       | Long term  | 2.40             | ACUITE BBB-/ Stable (Assigned)                           |
|                   | Bank Guarantee                  | Short Term | 3.00             | ACUITE A3 (Assigned)                                     |
|                   | Letter of Credit                | Short Term | 4.00             | ACUITE A3 (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 | 5.00*                       | ACUITE BB+/ Stable (Reaffirmed) |
| Term Loan                        | Not Applicable   | Not Applicable | Not Applicable | 0.10                        | ACUITE BB+/ Stable (Reaffirmed) |
| Term Loan                        | Not Applicable   | Not Applicable | Not Applicable | 2.76                        | ACUITE BB+/ Stable (Reaffirmed) |
| Term Loan                        | Not Applicable   | Not Applicable | Not Applicable | 5.92                        | ACUITE BB+/ Stable (Reaffirmed) |
| Proposed Fund based facility     | Not Applicable   | Not Applicable | Not Applicable | 1.82                        | ACUITE BB+/ Stable (Assigned)   |
| Bank Guarantee                   | Not Applicable   | Not Applicable | Not Applicable | 4.00                        | ACUITE A4+ (Reaffirmed)         |
| Letter of Credit                 | Not Applicable   | Not Applicable | Not Applicable | 5.00                        | ACUITE A4+ (Reaffirmed)         |
| Proposed Non-fund based facility | Not Applicable   | Not Applicable | Not Applicable | 6.00                        | ACUITE A4+ (Assigned)           |

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**About Acuité Ratings & Research:**

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