

Press Release

Panacea Medical Technologies Private Limited

December 14, 2020



Rating Downgraded & Withdrawn

Total Bank Facilities Rated*	Rs.30.60 Cr
Long Term Rating	ACUITE BB (Downgraded & Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded & withdrawn the long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.30.60 Crore bank facilities of Panacea Medical Technologies Private Limited (PMTPL). The rating is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no due certificate received from the banker.

About the company

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).

The downgrade of the rating reflects its decline in revenues and profitability. Working capital intensive operations and below average financial risk profile.

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

- **Experienced management and established track record of operations**

PMPL 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.

Weaknesses

- **Declining revenue and profitability**

The revenue of the company declined from Rs.34.92 Cr in FY2019 to 12.94 Cr in FY2020 (Prov.) on account of decrease in orders from central government. The operating margins had declined from 21.21 percent in FY2019 to 7.66 percent in FY2020 (Prov.) on account of decline in revenue. The company into losses for FY2020 (prov.) on account of a decline in EBITDA in absolute terms which were insufficient to repay their finance cost. However, this shortfall is met through promoters' contribution.

- **Working capital intensive operations**

The company's working capital management is intensive with Gross Current Assets (GCA) of about 1544 days in FY2020 (Prov.) as against 501 days in FY2019 on account of increase in debtor days and inventory days. Inventory days stood at 800 days in FY20 (Prov.) as against 282 days in FY19. The debtor days stood at 593 days in FY20 (Prov.) as against 325 days in FY19. The average working capital limit utilization was 55 percent for the past six months ended in November 2020.

- **Below average financial risk profile**

The company's financial risk profile is below average marked by moderate capital structure and weak debt protection metrics. Net worth is moderate at Rs.51.81 crore as on 31 March, 2020 (Prov.) vis-à-vis Rs.48.13 crore as on 31 March, 2019; improved owing to increase in share capital. It's gearing (debt-equity) is moderate, deteriorated and stood at 0.66 times as on March 31, 2020 (Prov.) as against 0.45 times as on March 31, 2019. The total outside liabilities to total net worth (TOL/TNW) stood moderate at 0.76 times as on March 31, 2020 (Prov.) as against 0.65 times as on March 31, 2019. It reported negative cash accruals of Rs. (0.28) crore in FY2020 (Prov.) as against Rs.4.81 crore in FY2019. Its debt protection metrics is moderate with net cash accruals to total debt (NCA/TD), interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of (0.01), 0.84 and 0.37 times for FY2020 (prov.).

Rating Sensitivity factors

- Higher-than-expected revenue and profitability
- Any stretch in working capital management leading to deterioration in financial risk profile and liquidity

Material Covenants: None

Liquidity Position: Stretched

PMTPL has stretched liquidity marked by negative net cash accruals of Rs. (0.28) Cr vis-à-vis Rs.2.16 Cr maturing debt obligations. The debt is serviced through promoters' contribution into the business. The current ratio stood moderate at 9.35 times as on March 31, 2020 (prov.). The working capital limits of the group remained 55 percent utilized for the last six months ended November 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	12.94	34.92
PAT	Rs. Cr.	(1.05)	3.96
PAT Margin	(%)	(8.14)	11.33
Total Debt/Tangible Net Worth	Times	0.66	0.45
PBDIT/Interest	Times	0.84	4.68

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

None

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>
- Application of 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
07-Oct-19	Cash Credit	Long Term	5.00	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	0.10	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.76	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	5.92	ACUITE BB+/Stable (Reaffirmed)
	Proposed fund based facility	Long Term	1.82	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed fund based facility	Short Term	6.00	ACUITE A4+ (Assigned)
18-Feb-19	Cash Credit	Long Term	5.00	ACUITE BB+/ Stable (Downgraded)
	Term Loan	Long Term	1.10	ACUITE BB+/ Stable (Downgraded)
	Term Loan	Long Term	4.50	ACUITE BB+/ Stable (Downgraded)
	Proposed Term Loans	Long Term	4.00	ACUITE BB+/ Stable (Downgraded)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Downgraded)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded)
20-Nov-17	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- (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)

***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 (Downgraded & Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE BB (Downgraded & Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.76	ACUITE BB (Downgraded & Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.92	ACUITE BB (Downgraded & Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.82	ACUITE BB (Downgraded & Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nagidi Bhavani Analyst - Rating Operations Tel: 040-40042327 nagidi.bhavani@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.