

Press Release

Raut Serums India Private Limited (RSIPL)

24 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.14.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**'(read as **SMERA B plus**) to the Rs.14.00 crore bank facilities of Raut Serums India Private Limited (RSIPL). The outlook is '**Stable**'

RSIPL, incorporated in 2008, was promoted by Mr. Natha Raut and Mrs. Sunita Natha Raut. The company is engaged in the manufacture of serum - anti-venom, anti-rabies and anti-tetanus.

List of key rating drivers and their detailed description

Strengths:

Professionally qualified management: The promoters of the company Mrs. Sunita Natha Raut and Mr. Natha Raut are well-qualified and have the knowledge required to manufacture lifesaving anti venom/antitoxin products.

Niche product profile: The company is into production of anti-snake venom serum, anti-rabies serum and anti-tetanus serum which involves complex manufacturing process. Further, strict entry barriers in the industry are a competitive advantage.

Weaknesses:

Nascent and modest scale of operations: The commercial operations commenced in 2014. The scale of operations is modest with operating income of Rs.18.47 crore in FY2015-16 and Rs.6.29 crore in FY2014-15. Further, the company has achieved Rs.15.00 crore from April 2016 to November 2016.

Regulated pricing: Snake venom antiserum is part of the essential drugs under National List of Essential Medicines 2015 whose prices would be regulated under Drug Price Control Order 2016.

Weak financial risk profile: The company has weak financial risk profile marked by gearing (debt-to-equity) of 107.51 times as on 31 March, 2016. The total debt mainly comprises unsecured loan raised through promoters. RSIPL has moderate ICR (interest coverage) at 3.31 times in FY2015-16. The tangible net worth stood low at Rs.0.15 crore as on March 31, 2016.

Customer concentration risk: RSIPL caters only to Bharat Serums Vacancies Limited (BSVL) thereby exposing itself to customer concentration risk.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of RSIPL

Applicable Criteria:

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that RSIPL's outlook will remain stable over the medium term on account of increase in revenue and profitability margins. The outlook may be revised to 'Positive' if the company reports higher growth in revenue and improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected margins and larger than expected debt funded capex plan

About the Rated Entity

The Pune-based RSIPL was incorporated in 2008. Promoted by Mr. Natha Pandit Raut and Mrs Sunita Natha Raut, the company is engaged in the manufacture of serum (anti-venom, anti-rabies and anti-tetanus).

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.73 crore on operating income of Rs.18.47 crore, as compared with net loss of Rs.0.54 crore on operating income of Rs.6.29 crore in FY2014-15. The net worth stood at Rs.0.15 crore as on March 31, 2016.

Status of non-cooperation with previous CRA- Brickwork Ratings in its press release dated December 27, 2016 inter alia has stated the following "Raut Serums India Private Limited have not provided required information for carrying out the review of the rating, despite close follow up and hence said rating is not reviewed."

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	0.50	SMERA B+/ Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	5.00	SMERA B+/ Stable (Assigned)	-	-	-	-	-	-
Cash Credit - Proposed	LT	1.00	SMERA B+/ Stable (Assigned)	-	-	-	-	-	-

Term Loan - Proposed	LT	7.00	SMERA B+/ Stable (Assigned)	-	-	-	-	-	-
Fund Based Facility - Proposed	LT	0.50	SMERA B+/ Stable (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	N.A.	N.A.	N.A.	0.50	SMERA B+ / Stable (Assigned)
Term Loan	N.A.	N.A.	Sep 2020	5.00	SMERA B+ / Stable (Assigned)
Cash Credit - Proposed	N.A.	N.A.	N.A.	1.00	SMERA B+ / Stable (Assigned)
Term Loan - Proposed	N.A.	N.A.	N.A.	7.00	SMERA B+ / Stable (Assigned)
Fund Based Facility - Proposed	N.A.	N.A.	N.A.	0.50	SMERA B+ / Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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