

Press Release

Praras Bio-sciences Private Limited (PBPL)

01 February, 2017

Rating Assigned

Total Bank Facilities Rated	Rs.6.25 Cr*
Long Term Rating	SMERA BB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the above mentioned bank facilities of Praras Bio-sciences Private Limited (PBPL). The outlook is '**Stable**'.

PBPL was established as a proprietorship concern in 2003 by Dr Sujata Ojha and converted to private limited in 2007. The company is engaged in the manufacturing of speciality biochemicals for breweries, distilleries and food processing.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: The company is headed by Dr Sujata Ojha, and Mr Sharad Ojha, Directors with experience of over a decade in the aforementioned line of business.

Healthy financial risk profile: The healthy financial risk profile is marked by interest coverage ratio of 4.81 times in FY2016 and low gearing of 0.96 times as on 31 March, 2016. The net worth stood at Rs.5.78 crore as on 31 March, 2016. The return of capital employed stood at 23.95 per cent as on 31 March, 2016.

Reputed customers with customer concentration risk: The company generates around 80 per cent revenue from its two major clients - United Breweries Ltd and Carlsberg India (P) Ltd and the rest from others.

Weaknesses:

Modest scale of operations: The scale of operations are modest with operating income of Rs.11.38 crore in FY2015-16, which increased from Rs.7.33 crore in FY2013-14.

Working capital intensive operations: The operations are working capital intensive as reflected in the Gross current asset days of 188 in FY2016 on account of high debtor days.

Analytical Approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities: <https://www.smerra.in/criteria-manufacturing.htm>
- Application of financial ratio and adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that PBPL will maintain a 'Stable' outlook in the medium term and benefit from its long track record of operations, reputed customers and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded or working capital requirements.

About the Rated Entity

Praras Biosciences Private Limited was established as a proprietorship concern in 2003, by Dr Sujata Ojha. The company manufactures speciality biochemicals for diverse industries including breweries, distilleries and food processing.

For FY2015-16, PBPL reported net profit of Rs.1.10 crore on operating income of Rs.11.38 crore, as compared with profit after tax of Rs.1.45 crore on operating income of Rs.10.64 crore in FY2014-15.

Status of non-cooperation with previous CRA: Not Applicable

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	3.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan I	LT	1.25	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan II	LT	2.00	SMERA BB-/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	NA	NA	NA	3.00	SMERA BB-/Stable (Assigned)
Term Loan I	NA	NA	Jan, 2020	1.25	SMERA BB-/Stable (Assigned)
Term Loan II	NA	NA	Jan, 2022	2.00	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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