

Press Release

Liveon Biolabs Private Limited

April 28, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.35 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+ (read as SMERA B plus)**' on the Rs. 8.35 crore bank facilities of Liveon Biolabs Private Limited. The outlook is '**Stable**'.

Liveon Biolabs Private Limited (LBPL) incorporated in 2011, is a Karnataka-based company promoted by Mr. Krishnamurthy Lakkur, Mr. Vinod Buruganahalli, Mr. Gangappa Kempaiah and others. LBPL is engaged in the testing of pharmaceuticals, new chemicals, herbal derivatives, biotechnology products among others. The company is Good Laboratory Practise (GLP) compliant and also accredited by Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC) and ISO 9001:2000.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. Krishnamurthy Lakkur, Mr. Vinod Buruganahalli, Mr. Gangappa Kempaiah and others possesses more than 15 years of experience in a similar line of business.

- **Healthy revenue growth**

The revenue grew at a healthy CAGR of ~96 percent during FY2014-16 on account of increase in orders. The operating income stood at Rs.2.97 cr in FY2015-16 as against Rs.1.93 cr in FY2014-15. For 11MFY2017 Provisionals, the operating income stood at Rs.3.60 cr.

- **Reputed customer base**

LBPL has a reputed clientbase which includes pharmaceutical companies such as Sun Pharma, Biocon, Himalaya Drug Company among others.

Weaknesses

- **Declining operating margins**

LBPL's operating margins have registered a declining trend during the period under study on account of increase in employee cost. The EBIDTA margins stood at 41.03 percent in FY2015-16 as compared to 43.06 percent in FY2013-14.

- **Below average financial risk profile**

The financial risk profile is below average marked by low net worth of Rs.1.54 cr as on 31 March, 2016. The gearing stood at 3.05 times as on 31 March, 2016 as compared to 4.94 times as on 31 March, 2015. LBPL also plans to expand current capacity at a total project cost of Rs.5.50 cr to be funded by term loan of Rs.3.50 cr and unsecured loans from promoters to the tune of Rs.2.00 cr.

- **Working capital intensive operations**

The operations are working capital intensive as reflected in the gross current asset days of 192 on

account of high inventory levels of 137 days. Further, the company's liquidity profile is stretched as it utilises ~90 percent of its working capital limits.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of LBPL to arrive at the rating.

Outlook: Stable

SMERA believes that LBPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenue if the company sustains improvement in operating margins, capital structure and manages its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or profit margins or deterioration in the financial risk profile due to higher than expected debt funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the company registered profit after tax (PAT) of Rs.0.43 cr on operating income of Rs.2.97 cr as against PAT of Rs.0.36 cr on operating income of Rs.1.93 cr in the previous year. The net worth stood at Rs.1.54 cr as on 31 March, 2016 as compared to Rs.0.32 cr as on 31 March, 2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	1.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	31-Dec-2023	3.50	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA B+ / Stable

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