

Press Release

ENCARTA PHARMA PRIVATE LIMITED

December 30, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 37.75 Cr.
Long Term Rating	SMERA D
Short Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA D**' (**read as SMERA D**) and short term rating of '**SMERA D**' (**read as SMERA D**) on the Rs. 37.75 crore bank facilities of ENCARTA PHARMA PRIVATE LIMITED.

Encarta Pharma Private Limited (EPPL), a Bangalore-based company was incorporated in 2001. Founded by Mr. Keerthan.P, Mr. Ganesh R. Nayak and Mr. Girish.M, the company is engaged in the trading of implants, consumables, equipments and biotechnology products. The company is also an authorised service provider for surgical and mobility equipments which are imported from Israel and US. EPPL caters to hospitals across India.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors of the company have more than a decade of experience in the said line of business.

Weaknesses

- **Delay in debt servicing**

The rating reflects delays in servicing of debt obligations by the company. The bank borrowings have been overdrawn for the last two months ended November 2017.

- **Working capital intensive operations, stretched liquidity**

The working capital cycle is stretched marked by high GCA days of 243 in FY2017 as against 207 days in FY2016. This is mainly on account of high receivable days of 119 days in FY2017 and 102 days in FY2016. The creditor days stood at 50 days in FY2017 as against 39 days in FY2016. The bank limit utilisation stood at almost ~100 per cent for the last six months ended November 2017. The liquidity is stretched marked by instances of overdrawings in the working capital facility.

- **Uneven, declining revenue and PAT margins**

EPPL reported uneven revenues during the period under study. The company registered revenue of Rs.92.65 crore for FY2017 as against Rs.104.82 crore in FY2016 and Rs.90.91 crore in FY2015. The PAT margins were 1.34 percent, 1.96 percent and 2.39 percent for FY2017, FY2016 and FY2015 respectively. The decreasing revenue share and PAT margins in FY2017 was due to fall in the prices of stents in February 2017. The stents accounted for almost 30 per cent of the total revenue mix in FY2017.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by tangible net worth of Rs. 31.21 crore as on 31 March, 2017 as against Rs.31.30 crore as on 31 March, 2016. The gearing stood low at 0.84 times as on 31 March, 2017 as against 0.71 times as on 31 March, 2016. The total debt of Rs. 26.27 crore outstanding as on 31 March, 2017 comprises Rs. 5.29 crore of term loan, Rs. 0.76 crore of unsecured loan from directors and Rs. 20.22 crore of working capital borrowing from the bank. The ICR stood at 1.58 times in FY2017 as against 1.94

times in FY2016. The DSCR stood at 1.41 times in FY2017. The net cash accruals stood at Rs.1.91 crore in FY2017 as against Rs.2.70 crore in FY2016. The NCA/TD stood at 0.07 times in FY2017 as against 0.12 times in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of EPPL to arrive at the rating.

Outlook:

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	92.65	104.82	90.91
EBITDA	Rs. Cr.	7.13	7.79	7.37
PAT	Rs. Cr.	1.24	2.05	2.17
EBITDA Margin	(%)	7.70	7.43	8.11
PAT Margin	(%)	1.34	1.96	2.39
ROCE	(%)	11.90	13.97	28.32
Total Debt/Tangible Net Worth	Times	0.84	0.71	1.10
PBDIT/Interest	Times	1.58	1.94	1.91
Total Debt/PBDIT	Times	3.60	2.81	3.51
Gross Current Assets (Days)	Days	243	207	219

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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	20.00	SMERA D
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA D
Term loans	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA D
Bank guarantee/Letter of	Not	Not	Not	4.75	SMERA D

Guarantee	Applicable	Applicable	Applicable		
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.85	SMERA D

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ABOUT SMERA

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