

Press Release

Rapha Diagnostics Private Limited

April 11, 2019

Rating downgraded and reaffirmed



Total Bank Facilities Rated*	Rs. 7.79 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Downgraded)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long term rating from 'ACUITE B (read as ACUITE B)' to 'ACUITE B-' (read as ACUITE B minus) and reaffirmed short-term rating of 'ACUITE A4' (read as ACUITE A four) to the Rs. 7.79 crore bank facilities of Rapha Diagnostics Private Limited (RDPL). The outlook is 'Stable'.

The downgrade in the rating is on account of high negative cash accruals and revenues growing significantly less than expectations. The rating is supported by constant infusion of funds by the promoter. Around Rs. 2-3 crores have been infused in the past two to three years.

RDPL, a Mumbai based company was incorporated in 2002 by Dr. Isac John. The company is engaged in trading of medical and diagnostic kits such as Elisa Kits, Rapid Test Kits, Urine Strips, Elisa Microplate Reader, Cell counter and Blood Glucometer to various diagnostic centers, labs and medical stores across India. In 2016, the company has also set up a manufacturing facility in Kerala to manufacture parts of diagnostic kits. The company supplies its products to over 250 distributors across India.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of PTL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoters and strong group support**

The promoter of the company, Dr. Isac John, who is also the Managing Director, has over 20 years of experience in the Indian Diagnostic Industry.

Weaknesses

- **Small scale of operations and negative net profit margins**

The company has reported revenue of Rs.7.29 crore as on March 31, 2018 as against Rs.6.57 crore in the previous year. This is significantly less than the projected revenue of Rs.10.00 crore approximately. Additionally, the company's net loss has widened to Rs.1.00 crore in FY2018 from Rs.0.38 crore in FY2017. PAT margins stood at negative 13.71 percent as on March 31, 2018 as against negative 5.71 percent as on March 31, 2017.

- **Weak financial risk profile**

The company has weak financial risk profile marked by low net worth and debt protection matrices. The net worth stood at Rs.5.98 crore as on March 31, 2018 as against Rs.5.79 crore in the previous year. The net worth majorly consists of unsecured loans of Rs.4.80 crore that are subordinated to bank, hence Acuite has considered it as quasi equity. The gearing stood at 0.86 times as on March 31, 2018 as against 0.94 times in the previous year. The total debt of Rs.5.16 crore as on March 31, 2018 consists of long-term debt of Rs.2.28 crore and short-term debt of Rs.2.87 crore. The Interest coverage stood at 0.32 times for the FY2018 as against 0.96 times for the previous year. The TOL/TNW ratio stood at 1.34 times as on March 31, 2018 as against 1.36 times in the previous year.

• **Working capital intensive nature of operations**

The company has working capital intensive nature of operations marked by high gross current asset days (GCA) of 317 days as on March 31, 2018. The reason for the same is high inventory and debtor days of 178 and 120 respectively as on March 31, 2018. The company has to maintain high inventory due to different variety of diagnostic kits supplied by the company.

• **Highly competitive and fragmented industry**

RDPL is operating in a highly competitive and fragmented pharmaceutical industry, dominated by many large as well as small players. High competition in the industry has led to pricing pressures among players, which has affected their margins negatively.

Liquidity Position:

Liquidity of RDPL is stretched as evident by negative cash accruals of Rs.0.66 crore, high GCA days of 317 as on March 31, 2018 and overutilization of CC limits during the year. The cash accruals of the company are expected to turn positive and remain in the range of Rs.0.10-0.50 crore with repayment obligations to remain the range of Rs.0.50-0.70 crore indicating moderate reliance on borrowings. The cash credit limit in the company remained over utilised at around 101 percent during the last 6 months ended February 2019. The company maintains unencumbered cash and bank balances of Rs.0.22 crore as on March 31, 2018. The current ratio stood at 1.08 times as on March 31, 2018. Acuite believes that the liquidity of the company will remain stretched over the near to medium term because of low net cash accruals and moderate repayment obligations.

Outlook: Stable

Acuite believes that RDPL will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company reports higher than expected revenues, improves profitability and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in its revenue and profitability, thereby affecting its financial risk profile and liquidity particularly.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.29	6.57	6.78
EBITDA	Rs. Cr.	0.19	0.49	0.54
PAT	Rs. Cr.	(1.00)	(0.38)	0.08
EBITDA Margin	(%)	2.57	7.39	7.95
PAT Margin	(%)	(13.71)	(5.71)	1.12
ROCE	(%)	(0.69)	3.55	6.14
Total Debt/Tangible Net Worth	Times	0.86	0.94	1.16
PBDIT/Interest	Times	0.32	0.96	1.46
Total Debt/PBDIT	Times	0.09	0.36	0.70
Gross Current Assets (Days)	Days	317	332	291

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Jan-2018	Cash credit	Long Term	3.00	ACUITE B / Stable (Assigned)
	Term Loan	Long Term	3.29	ACUITE B / Stable (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4 (Assigned)

*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	3.00	ACUITE B- / Stable (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.29	ACUITE B- / Stable (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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