

Press Release

EPR CENTRE FOR CANCER RESEARCH AND BIOINFORMATICS PRIVATE LIMITED

13 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs. 35.00 crore bank facilities of EPR CENTRE FOR CANCER RESEARCH AND BIOINFORMATICS PRIVATE LIMITED (EPR). The outlook is **'Stable'**.

EPR incorporated in 2006 is a direct subsidiary of Vitane Pharmaceuticals Private Limited (VPPL), part of the Vitane Group. The group and its subsidiaries are engaged in the manufacture of pharmaceuticals, biotechnology products and orthopaedic support products. These are sold in the domestic as well as exported. The commercial operations are expected to start from July 2018.

About the Project

EPR was established to set up technology-centric biotech Research & Development lab and GMP manufacturing facility (the project) in order to focus on monoclonal antibodies (for auto-immune diseases) and to cater to the domestic and international markets. The total cost of the manufacturing facility at Hyderabad stands at Rs. 79.18 crore to be funded through Rs.35.00 crore of debt and the balance through equity.

Key Rating Drivers

Strengths

- **Experienced management**

EPR is supported by the Germany-based Vitane group led by Mr. Sadiq Hussain, Mr. Mirza Sajjad Baig, and Dr. Jeetendra Ambulge with more than two decades of experience in the manufacturing and trading of pharma products. The group has been selling its products in more than 40 countries since 2006.

Weaknesses

- **Project completion risk**

The total project cost is estimated at Rs.79.18 crore with debt of Rs. 35.00 crore and the remaining as equity contribution from VPPL. The project completion risk still exists as the project is at a nascent stage. Its implementation was delayed by almost a year in the past due to delays in financial closure and renegotiation with suppliers of machinery. The company is expected to start commercial operations from FY2018-19.

- **Stretched liquidity profile**

The liquidity profile of the company is stretched due to non-commencement of commercial operations. The company has taken a term loan of Rs.28.00 crore for setting up its research and development and manufacturing facility at Hyderabad. VPPL has also supported EPR by infusing funds at regular intervals in

the form of unsecured loans and equity to meet its current debt obligations.

• **Competitive and fragmented industry**

The company is exposed to intense competition in the pharmaceutical industry from domestic and international players including Biocon, Dr. Reddy's Lab and Reliance Life Sciences to name a few.

Analytical Approach

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

Outlook: Stable

SMERA believes that EPR will maintain a stable outlook over the medium term on account of its experienced management and support from group Company. The outlook may be revised to 'Positive' if the company reports higher than expected revenues and improved profitability margins or prudent improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its capital structure on account of larger-than-expected working capital requirements or delay in project execution which may adversely impact its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.02	0.00	0.00
EBITDA	Rs. Cr.	-0.04	-0.12	-0.60
PAT	Rs. Cr.	0.00	-0.06	-0.58
EBITDA Margin	(%)	NA	NA	0.00
PAT Margin	(%)	18.72	NA	0.00
ROCE	(%)	-1.74	2.65	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	28.00	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.