

## Press Release

### NOVO MEDI SCIENCES PRIVATE LIMITED (NMSPL)

22 February, 2018



#### Rating Assigned

|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 9.00 Cr.               |
| <b>Long Term Rating</b>             | SMERA BB-/ Outlook: Stable |

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the above mentioned bank facilities of Novo Medi Sciences Private Limited (NMSPL). The outlook is '**Stable**'.

Novo Medi Sciences Private Limited (NMSPL), based in Mumbai was incorporated in 2013 to carry on trading, marketing, distribution and import of pharmaceutical and surgical products. However, operations commenced in 2015-2016. Currently, the company is engaged in the import, marketing and distribution of Varicella (chickenpox) vaccine "NEXIPOX". Mr. Rameshchandra Bhagat, the founder and mentor, has experience of seven decades in the pharma industry. Currently, the company is led by Mrs. Anju Kaudanya, Mr. Vipul Bhagat, Mr. Karan Bhagat and Ms. Forum Bhagat.

#### Key rating drivers

##### **Strengths**

###### **Experienced management in the pharmaceuticals industry**

The promoters, Mrs. Anju Kaudanya and Mr. Vipul Bhagat have an industry experience of over two decades in the pharmaceuticals industry. The promoters backed by their experience have established relations with customers and a strong distribution channel across India. The promoters are equally supported by second line of management comprising Mr. Karan Bhagat and Ms. Forum Bhagat.

###### **Healthy revenue visibility**

NMSPL registered revenue of Rs. 46.39 crore in FY2017 as against Rs. 10.83 crore in FY2016. Further, during April 2017 to December 2017, the company clocked revenue of ~Rs. 22.00 crore. Going forward, SMERA expects healthy revenue visibility evident from the healthy order book position of ~Rs. 45.00 crore as on 31 December, 2017.

##### **Weaknesses**

###### **Limited track record of operations**

NMSPL was incorporated in 2013 and commercial operations started in February 2016. While the company has limited track record of operations, the same is mitigated to an extent owing to the extensive experience of the promoters in the pharmaceuticals industry.

## Average financial risk profile

NMSPL has average financial risk profile marked by tangible net worth of Rs. 12.04 crore as on 31 March, 2017 as against Rs. 6.34 crore as on 31 March, 2016. It includes unsecured loan of Rs. 8.72 crore as on 31 March, 2017 considered as quasi equity. The adjusted gearing stood at 0.93 times as on 31 March, 2017. The debt of Rs. 11.44 crore mainly consists of working capital borrowings without long term debt as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 1.39 times for FY2017. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.63 times as on 31 March, 2017. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times as on 31 March, 2017. Going forward, SMERA expects the company to financial risk profile absence of major debt funded capex plans.

## Moderate working capital cycle

NMSPL has moderate working capital cycle marked by Gross Current Asset (GCA) of 127 days in FY2017. The GCA days are mainly dominated by inventory of 41 days and debtors of 34 days. The average cash credit utilisation for the past six months has been ~97 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

## Analytical approach:

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

## Outlook – Stable

SMERA believes that NMSPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

## About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 46.39         | 10.83         | NA            |
| EBITDA                        | Rs. Cr. | 3.12          | 1.77          | (0.04)        |
| PAT                           | Rs. Cr. | 0.20          | 0.57          | (0.00)        |
| EBITDA Margin                 | (%)     | 6.72          | 16.37         | NA            |
| PAT Margin                    | (%)     | 0.43          | 5.30          | NA            |
| ROCE                          | (%)     | 17.47         | 37.79         | (0.02)        |
| Total Debt/Tangible Net Worth | Times   | 0.93          | 0.00          | 0.00          |
| PBDIT/Interest                | Times   | 1.39          | 2.27          | 20.87         |
| Total Debt/PBDIT              | Times   | 3.57          | 0.00          | 0.00          |
| Gross Current Assets (Days)   | Days    | 127           | 525           | NA            |

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

None

## Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore) | Ratings/Outlook  |
|------------------------|------------------|----------------|----------------|-------------------------------|------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 9.00                          | SMERA BB-/Stable |

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### ABOUT SMERA

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