

Press Release

SAVA HEALTHCARE LIMITED

23 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 18.00 crore bank facilities of SAVA HEALTHCARE LIMITED (SHL). The outlook is '**Stable**'.

Sava Healthcare Limited (the erstwhile Anagha Pharma Private Limited) was incorporated in October 2004. The company promoted by Mr. Vinod Jadhav, Mrs. Suvarna Jadhav and Mr. Vishal Jadhav, is engaged in the manufacturing and trading of pharmaceutical, herbal and veterinary products.

SHL also exports its products to Vietnam, Indonesia, West Indies, Russia among others through Regent Holding FZE (RHFZE), a 100% subsidiary of SHL, operating in Sharjah.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

The promoters have more than two decades of experience in the trading and manufacturing of pharmaceutical products.

• Established market position and reputed clientele

Over the years, SHL has established relations with reputed companies including Macleods Pharmaceuticals Ltd., Glenmark Pharmaceuticals Ltd., Torrent Pharmaceuticals, Alkem Laboratories Ltd to name a few. The company has offices at USA, Singapore, Russia, UAE, Mauritius and Vietnam for distribution of its products globally. SHL also has its subsidiary, Regent Holdings FZE, located at Sharjah, UAE. The company is engaged in the trading of pharmaceutical products.

• Moderate financial risk profile

The moderate financial risk profile is marked by net worth of Rs. 67.65 crore in FY2017 and Rs. 67.27 crore in FY2016. The debt equity stood at 0.90 times in FY2017 and 0.89 times in FY2016. The Interest Coverage Ratio stood at 2.56 times in FY2017 and 3.23 times in FY2016. The Net cash accruals to total debt stood at 0.16 times in FY2017 as compared to 0.11 times in FY2016. The Debt Service Coverage Ratio stood low at 1.89 times in FY2017 as against 1.56 times in the previous year.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive marked by high GCA days of 216 for FY2016-2017 as against 232 days for FY2015-16 on account of high inventory days of 96 for FY2016-17 and 90 for FY2015-16. The fund based working capital facility has been fully utilised by the company.

• Dependence on export and foreign exchange fluctuation risk

SHL's export revenue constitutes 46.77 percent of its total revenue in FY2017. Further, the company imports most of its raw materials required for packaging and supply of products from various countries exposing the profit margins to forex fluctuation risk. While the company benefits through natural hedge to a certain extent, the margins are susceptible to volatility in exchange rates for the unhedged portion.

• Highly fragmented and competitive industry

The company is exposed to intense competition from organised and unorganised players in the industry impacting revenue and profitability margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SAVA Healthcare Ltd. for arriving at the rating.

Outlook: Stable

SMERA believes that SHL 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 significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	73.14	64.31	60.18
EBITDA	Rs. Cr.	-1.23	-3.46	-2.29
PAT	Rs. Cr.	2.30	-0.90	-1.11
EBITDA Margin	(%)	-1.68	-5.37	-3.80
PAT Margin	(%)	3.14	-1.41	-1.85
ROCE	(%)	3.77	4.30	6.39
Total Debt/Tangible Net Worth	Times	0.90	0.89	0.71
PBDIT/Interest	Times	2.56	3.23	2.88
Total Debt/PBDIT	Times	4.96	4.52	4.98
Gross Current Assets (Days)	Days	216	232	287

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

Care in its press release dated 26 April 2017 has stated as under :

"CARE has been seeking information from Sava Healthcare Limited (SHL), to monitor the rating vide e-mail communications/ letters dated March 15, 2017, March 16, 2017 and March 17, 2017 and numerous phone calls. However, despite repeated requests, the Sava Healthcare Limited has not provided the requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on Sava Healthcare Limited's long term and short-term bank facilities has now be denoted as CARE BB-/CARE A4; ISSUER NOT COOPERATING."

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.40	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.60	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

Contacts

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ABOUT SMERA

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