

Press Release

Sai Parenterals Private Limited (SPPL)

13 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.9.00 Cr.
Long Term Rating	SMERA BB-/ Outlook:Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA BB minus) and short term rating to '**SMERA A4+**' (read as SMERA A four plus) on the Rs.9.00 crore bank facilities of Sai Parenterals Private Limited (SPPL).

Incorporated in 2001 by Mr.Anup Raj Saxena and Mr. Sarup Saxena, SPPL is engaged in the manufacture of sterile dry and liquid injectable. In September 2016, Mrs. G.Vijitha and Smt. K.Aruna took over the company. SPPL has two manufacturing units located at Jeedimetla, Hyderabad. The company commenced commercial production in December 2016.

Key rating drivers

Strengths

Experienced management: The company is led by the current promoters Mrs. G.Vijitha, Smt. K.Aruna and Anil Kumar (CEO). The promoters possess almost two decades of experience in the pharmaceutical industry through group company, Revat Laboratories Private Limited (RLPL). Mr. Anil Kumar has around 18 years of experience in the pharmaceutical industry and is also the Managing Director of RLPL.

Diversified product portfolio: The company has licenses for about 200 products and manufactures around 84 which are sold to hospitals, institutional clients and pharmaceutical companies. The company has order book of Rs.6.20 crore as on February 2018. SPPL plans to introduce four new injectables from April 2018. These will be sold across hospitals in India where cath labs are available.

Weaknesses

Highly fragmented and competitive industry: The pharmaceutical industry has a large number of players which makes this industry highly fragmented and intensely competitive. SPPL is also a moderate sized player, thereby limiting its bargaining power and pricing pressure compared to well-established and larger players.

Average financial risk profile: The average financial risk profile is marked by moderate net worth, high gearing levels and modest debt protection measures. The net worth levels of the entity stood at Rs.4.12 crore as on 31 March, 2017. The gearing levels remained high at 2.31 times in FY2017 due to debt funded taking over of business. The Interest Coverage levels stood at 2.17 times as on 31 March, 2017. The Net cash Accruals to Total Debt (NCA/TD) stood at 0.07 times in FY2017.

Analytical approach:

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

Outlook – Stable

SMERA believes that the outlook of SPPL will remain Stable owing to the experienced promoters. The outlook may be revised to 'Positive' if the company stabilises operations leading to healthy cash inflows and improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and net cash accruals leading to deterioration in the financial risk profile.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	4.93	0.88	1.44
EBITDA	Rs. Cr.	1.22	-0.16	-0.34
PAT	Rs. Cr.	0.05	-0.47	-0.58
EBITDA Margin	(%)	24.67	-18.08	-23.29
PAT Margin	(%)	1.05	-53.80	-40.27
ROCE	(%)	8.29	-23.89	-48.06
Total Debt/Tangible Net Worth	Times	1.61	0.45	0.63
PBDIT/Interest	Times	2.17	-1.81	-4.19
Total Debt/PBDIT	Times	6.89	-2.42	-2.41
Gross Current Assets (Days)	Days	619	75	209

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Manufacturing Sector - <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>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB-/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA BB-/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	4.75	SMERA BB-/Stable (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+ (Assigned)

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ABOUT SMERA

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SMERA Ratings Limited

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