

Press Release

Tara Biosciences Private Limited

10 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.7.50 crore bank facilities of Tara Biosciences Private Limited. The outlook is '**Stable**'.

The Jaipur-based, incorporated in 2007, as Taara Medicare Private Limited was renamed to Tara Bioscience Private Limited (TBPL) in July 2015. It is engaged in manufacturing of IV fluids and other lifesaving drugs such as Large Volume Infusions (LVI) and Small volume Infusion (SVI). The commercial production began from July 2016.

Key Rating Drivers

Strengths

• Reputed customers

TBPL manufactures IV fluids for direct sales as well as third parties which includes reputed companies like Alkem Laboratories Limited and Aristo Pharmaceuticals among others. The current orders at hand are Rs.2.61 crore. The company sells its product with brand name of 'Tara'.

• Experienced management

The company is led by Mr. Ranjeet Singh Yadav, Dr. Hitendra Singh Yadav, Dr. Monika Singh and Mrs. Leela Sethi. Dr. Hitendra Yadav has served as radiologist and Dr. Monica has done BHMS and is practicing as well. They have an experience of more than a decade in sales and distribution of pharmaceutical products.

Weaknesses

• Initial stage of operation

TBPL was incorporated in 2007, however, the project commenced in FY2012. In the meanwhile, the company rescheduled the term loan repayment due to delay in project completion. The commercial production started from July 2016. The operations are in initial stage and the company will have to demonstrate continuous demand and order for its product so as to generate cash flows corresponding with its debt obligation. As informed by the management that ~Rs.16.00 crore revenue has been booked till February 2018.

• Debt funded capex

TBPL gearing is high with a term loan of Rs.17.45 crore and unsecured loan for Rs.9.51 crore against equity of Rs.3.00 crore to finance the project. The principal obligation during FY18-19 is ~Rs.1.68 crore. In the event of suboptimal utilisation or significant buildup in its recoverable will impact its credit profile.

• Competitive and fragmented industry

IV fluids and other lifesaving drugs market is marked by presence of several small and large players like Albert David, Core Healthcare, Wockhardt which will pose as competition for TBPL.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of TBPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook of the TBPL will remain 'Stable' over the medium term on account of management's experience. The outlook will be revised to 'Positive' if the company is able to increase the scale of operations while maintaining healthy profitability. On the contrary, the outlook will be revised to 'Negative' in a scenario of decline in the revenues or deterioration in the financial profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.42	0.00	0.00
EBITDA	Rs. Cr.	-0.26	-0.02	-0.02
PAT	Rs. Cr.	-5.43	-0.02	-0.02
EBITDA Margin	(%)	-7.62	0.00	0.00
PAT Margin	(%)	-158.67	0.00	0.00
ROCE	(%)	-15.87	-0.09	-0.19
Total Debt/Tangible Net Worth	Times	-11.76	7.35	659.86
PBDIT/Interest	Times	0.10	0.00	-39.50
Total Debt/PBDIT	Times	152.62	-1164.35	-1033.15
Gross Current Assets (Days)	Days	419	0	0

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>
- 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	2.25	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.05	SMERA B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA B+ / Stable

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