

Press Release

Tara Biosciences Private Limited

August 12, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs.7.50 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D' (read as ACUITE D)**' from '**'ACUITE B+' (read as ACUITE B plus)**' on the Rs.7.50 crore bank facilities of Tara Biosciences Private Limited (TBPL).

The downgrade is in view of persistent delays in servicing the debt obligation.

Jaipur-based, TBPL (erstwhile known as Tara Medicare Private Limited) was incorporated in 2007. The company is engaged in the manufacturing of IV fluids and other drugs such as large volume infusions and small volume infusion. TBPL began its commercial operations from July 2016.

Analytical Approach

For arriving at its rating, Acuité has considered a standalone view of the business and financial risk profile of TBPL.

Key Rating Drivers

Strengths

- **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

- **Delay in debt servicing**

BHMS has been facing significant liquidity pressure which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of delays in repayments of the term loan facility.

- **Below average financial risk profile**

The financial risk profile of the TBPL is below average marked by below negative net worth, debt protection metrics and coverage indicators. The net worth of TBPL is negative on account of continuous losses in the business. The coverage indicators are below average marked by Interest Coverage Ratio (ICR), which stood at 0.66 times for FY2019 (Provisional) as against 0.68 times for FY2018.

Liquidity Profile

Liquidity position of TBPL is weak with respect to net cash accruals vis-à-vis its debt repayment obligations. The average bank limit utilisation stood over 90 per cent for the last six months ended June 2019. The company's working capital operations are intensive marked by gross current asset (GCA) days of 190 days in FY2019 (Provisional). Company maintains unencumbered cash and bank balances of Rs.0.01 crore as on 31 March, 2019 (Provisional). The current ratio stands at 0.56 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain weak over the medium term on account of below average cash accruals against no major debt repayments over

the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	17.34	15.15	3.42
EBITDA	Rs. Cr.	2.43	1.75	(0.26)
PAT	Rs. Cr.	(4.44)	(4.32)	(5.93)
EBITDA Margin	(%)	14.00	11.57	(7.62)
PAT Margin	(%)	(25.62)	(28.54)	(158.67)
ROCE	(%)	(3.17)	(7.10)	(14.12)
Total Debt/Tangible NetWorth	Times	(3.26)	(4.81)	(11.76)
PBDIT/Interest	Times	0.66	0.68	0.10
Total Debt/PBDIT	Times	15.14	18.71	152.62
Gross Current Assets (Days)	Days	190	160	419

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
20-June-2019	Cash Credit	Long Term	2.25	ACUITE B+ (Indicative)
	Term Loan	Long Term	5.05	ACUITE B+ (Indicative)
	Proposed bank facility	Long Term	0.20	ACUITE B+ (Indicative)
10-Apr-2018	Cash Credit	Long Term	2.25	ACUITE B+ (Assigned)
	Term Loan	Long Term	5.05	ACUITE B+ (Assigned)
	Proposed bank facility	Long Term	0.20	ACUITE B+ (Assigned)

***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	ACUITE D (Downgraded from ACUITE B+ Indicative)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.05	ACUITE D (Downgraded from ACUITE B+ Indicative)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE D (Downgraded from ACUITE B+ Indicative)

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About Acuité Ratings & Research:

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