

## Press Release

### Tara Biosciences Private Limited

December 20, 2019



### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs. 7.50 Cr.
<b>Long Term Rating</b>	ACUITE B-/Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE D**' (**read as ACUITE triple D**) to '**ACUITE B-**' (**read as ACUITE B minus**) on the above mentioned bank facilities of Tara Biosciences Private Limited (TBPL). The outlook is '**Stable**'.

The rating upgrade is on account of regularization of account and timely repayment of term loan principal and servicing of interest.

Delhi-based TBPL was incorporated in 2007 and began operations in 2016. The company is currently headed by Dr Hitendra Singh Yadav, Dr Monika Singh and Mrs. Leela Shethi. TBPL is engaged in the manufacturing of IV infusions/ Lifesaving drugs in 3 variants- LPI (Large Volume Infusions), SPI (Small Volume Infusions) and water infusions (saline water). Further TBPL has an in house research and laboratory spread across 10,000 sq.ft with 25 people working in this department.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of TBPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

Tara Biosciences Private Limited benefits from the extensive experience of its promoters i.e. Dr. Hitendra Singh Yadav, Dr. Monika Singh and Mrs. Leela Sethi. Dr. Hitendra Yadav all of whom have more than two decades of experience in the medical industry and have worked as medical professionals. Going forward, Acuité expects the company will sustain its existing business profile on the back of experienced management.

#### Weaknesses

- **Weak financial risk profile**

The company has weak financial risk profile marked by below average net worth, high gearing and below average debt protection metrics. The tangible net worth stood at Rs (11.44) crore as on 31st March, 2019 as against Rs (6.84) crore as on 31st March, 2018. The gearing stood below average at (3.12) times as on 31st March, 2019 as against (4.81) times as on 31st March, 2018. The Total Outside Liabilities/ Tangible net worth (TOL/TNW) stood at (0.04) times as on 31st March, 2019 as against (0.02) times as on 31st March, 2018. Total debt of Rs 35.68 crore as on 31st March, 2019 includes long term debt of Rs 23.02 crore and short term debt of Rs 0.58 crore. Interest Coverage Ratio (ICR) stood at 0.59 times for FY 19 as against 0.68 times in the previous year whereas the Debt Service Coverage Ratio (DSCR) stood at 0.53 times for FY 19 as against 0.65 times in FY 18. Net Cash Accruals/ Total Debt (NCA/TD) stood at (0.04) times in FY 19 as compared to (0.02) times in FY 18. The financial risk profile of the company is expected to remain weak over the medium term in the absence of any major debt funded capex plans.

- **Working capital intensive operations**

TBPL's working capital operations are intensive in nature as is reflected by its gross current asset (GCA)

days of around 186 days for FY2019 as against 160 days in the previous year. The GCA days are high on account of high inventory levels maintained by the company as reflected by the inventory holding period of 83 days in FY2019 as against 87 days in FY2018. The debtor's collection period stood at 20 days as against 14 days in the previous year. Further, the creditor payback period stood at 109 days in FY2019. The utilization of TBPL's bank lines stood at an average of around 79.11 per cent over the last six months through Nov 2019.

**• Highly competitive and fragmented industry**

The company operates in a highly competitive medical supplies industry with several organized and unorganized players which limits the bargaining power of TBPL.

**Rating Sensitivity Factor**

- Growth in revenue, while improvement in the profitability margins
- Expected growth in business
- Elongation of working capital operations leading deterioration in financial risk profile and liquidity.

**Material Covenants**

None

**Liquidity Position**

TBPL has poor liquidity marked by poor net cash accruals against maturing debt obligations. The company generated cash accruals of Rs. (1.53) crore for FY2019 against debt obligations of Rs. 0.58 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. (0.41) crore to Rs. 0.31 crore during FY 2020-22 against repayment obligations of around Rs.0.60 crore to Rs. 0.62 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 186 days for FY2019. TBPL maintains cash and bank balances of Rs. 0.01 crore as on 31 March 2019. The current ratio stood at 1.36 times as on 31 March 2019. Acuite believes that the liquidity of the company is expected to be poor over the medium term on account of poor cash accruals to debt repayments over the medium term.

**Outlook: Stable**

Acuite believes that the outlook on TBPL's facilities will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	17.38	15.15
PAT	Rs. Cr.	(4.60)	(4.32)
PAT Margin	(%)	(26.47)	(28.54)
Total Debt/Tangible Net Worth	Times	(3.12)	(4.81)
PBDIT/Interest	Times	0.59	0.68

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-4.htm>

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**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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Aug-2019	Cash Credit	Long Term	2.25	ACUITE D (Downgraded from ACUITE B+ Indicative)
	Term Loan	Long Term	5.05	ACUITE D (Downgraded from ACUITE B+ Indicative)
	Proposed bank facility	Long Term	0.20	ACUITE D (Downgraded from ACUITE B+ Indicative)
20-June-2019	Cash Credit	Long Term	2.25	ACUITE B+ Issuer not cooperating*
	Term Loan	Long Term	5.05	ACUITE B+ Issuer not cooperating*
	Proposed bank facility	Long Term	0.20	ACUITE B+ Issuer not cooperating*
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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE B-/Stable (Upgraded from ACUITE D)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.05	ACUITE B-/Stable (Upgraded from ACUITE D)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE B-/Stable (Upgraded from ACUITE D)

## Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Nikhilesh Pandey Analyst - Rating Operations Tel: 011-49731304 <a href="mailto:nikhilesh.pandey@acuite.in">nikhilesh.pandey@acuite.in</a>	

### About Acuité Ratings & Research:

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