

Press Release

Captab Biotech Unit II

18 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr
Long Term Rating	SMERA D (Assigned)
Short Term Rating	SMERA D (Assigned)

*Refer Annexure for details

SMERA has assigned long term rating and short term rating of '**SMERA D**' (read as **SMERA D**) on the Rs. 12.00 crore bank facilities of Captab Biotech Unit II (CBU).

Captab Biotech Unit II was established as a partnership firm by Mr. Shubham Goel and Mr. Kapish Goel. The firm manufactures formulations - generics including capsules, tablets and dry syrup alongwith injectables. The day-to-day operations are led by Mr. Sushil Goel and Mr. Pawan Goel. The manufacturing facility is located at Baddi, Himachal Pradesh.

Key Rating Drivers

Weaknesses

Ongoing delays in debt servicing

There have been delays of over 20 days in the servicing of debt obligations on account of stretched liquidity position and insufficient cash flows.

Modest scale of operations with limited track record of operations

The operations are at a modest scale with operating income of Rs.29.40 crore for FY2017 as against Rs.14.5 crore in the previous year mainly on account of limited track record of operations. The firm is also exposed to intense competition in the pharmaceutical industry.

Working capital intensive business

The operations are working capital intensive marked by high Gross Current Assets days (GCA) of 153 for FY2017 as against 220 in the previous year. This is due to stretched debtor days of around 63 for FY2017 compared to 155 in the previous year. Further, the liquidity position of the firm is also stretched with average cash credit utilisation at around 98 percent during the last six months ended 31 January, 2018.

Risk of capital withdrawal

The firm is exposed to risk of capital withdrawal considering its partnership constitution.

Strengths

Experienced management

The firm benefits from the extensive experience of Mr. Sushil Goel, Mr. Pawan Goel and Mr. Kapish Goel who collectively possess more than a decade of experience in the generic formulations manufacturing industry through associate entities i.e. Total Healthcare and Shiv Industries. The experience has helped the firm build long term relations with reputed customers.

Diversified product portfolio

CBU manufactures more than 200 products and has a diversified client base. The firm benefits from limited customer concentration risk as the top 10 customers contributed only 25 percent of the total revenue for FY2017. The products manufactured find application mainly in the high care segment leading to better bargaining power with customers. The operating margin stands healthy at around 15 percent for FY2017 compared to about 11 percent in the previous year.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of Captab Biotech Unit II to arrive at the rating.

Applicable Criteria

- Manufacturing Entity: <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

About the Rated Entity -Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	29.37	14.53	5.05
EBITDA	Rs. Cr.	4.25	1.56	0.83
PAT	Rs. Cr.	0.57	0.45	0.16
EBITDA Margin	(%)	14.47	10.72	16.49
PAT Margin	(%)	1.93	3.13	3.09
ROCE	(%)	9.79	7.51	11.45
Total Debt/Tangible Net Worth	Times	1.19	1.04	1.54
PBDIT/Interest	Times	3.27	3.29	3.02
Total Debt/PBDIT	Times	2.70	5.61	5.49
Gross Current Assets (Days)	Days	153	220	393

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

Any other information: Not Applicable

Rating History for the 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	6.50	SMERA D
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA D
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA D
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA D

Note on complexity levels of the rated instrument:

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

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 Email: suman.chowdhury@smerra.in	Varsha Bist Manager- Rating Desk Tel: 022-67141160 Email: varsha.bist@smerra.in
Shashikala Hegde, Senior Rating Analyst, Tel: 022-67141321 Email: shashikala.hegde@smerra.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smerra.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smerra.in) for the latest information on any instrument rated by SMERA.