

## Press Release

Scigenics India Private Limited

July 03, 2019



### Rating Downgraded & Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 10.30 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable (Downgraded from ACUITE BB/Stable)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from **ACUITE BB** (**read as double B**) and reaffirmed short term rating of **ACUITE A4+** (**read as ACUITE A four plus**) to the Rs.10.31 crore bank facilities of Scigenics India Private Limited (SIPL). The outlook is '**Stable**'.

The downgrade in SIPL's rating is on account of significant moderation in its business risk profile marked by decline in revenues and deterioration in the working capital cycle during the past fiscal. SIPL has reported operating income of Rs.21.58 crore for FY2019 (Provisional) as compared to Rs.27.88 crore for FY2018. The decline in operating income is on account of lower than expected orders from their existing customers.

The Chennai-based, SIPL was incorporated by Mr. S. Muthuswamy and Mr. M. Bhavani in 1991. The company manufactures variety of products such as fermenters (laboratory, pilot scale, industrial), bioreactors, CIP (cleaning in place) systems and filtration equipments. The product portfolio finds its application in research and development centers of sectors like, biotechnology, life sciences, agriculture and pharma.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of SIPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced Management**

The promoters, Mr. S. Muthuswamy and Mr. M. Bhavani who have around three decades of experience in the industry. The extensive experience of promoters has helped SIPL to establish customer base.

Acuité believes that experienced management and established relations with customers and suppliers are expected to keep the business risk profile stable over the medium term.

#### Weaknesses

- **Average financial risk profile**

The financial risk profile is average marked by average net worth and debt protection metrics. The net worth stands at Rs.4.38 crore as on March 31, 2019 (Provisional) as against Rs.3.88 crore as on March 31, 2018. The gearing stood at 1.42 times as on March 31, 2019 (Provisional) against 1.66 times as on March 31, 2018. The total debt of Rs.6.23 crore consists of working capital limits of Rs.5.42 crore, unsecured loans from promoters of Rs.0.52 crore and long term debt of Rs.0.29 crore. The interest coverage stood moderate at 2.15 times in FY2019 (Provisional). Total Outside Liabilities/ Tangible Net worth stood at 2.85 times as on 31<sup>st</sup> March, 2019(Provisional).

Acuité believes that with moderate accruals and no significant capex plans, the financial risk profile is expected to improve over the medium term.

• **Intensive working capital operations**

SIPL has working capital intensive nature of operations marked by Gross Current Assets (GCA) days of 238 in FY2019 (Provisional) as compared to 186 days in FY2018. This is majorly due to the collection period of 173 days in FY2019 (Provisional) as against 143 days in FY2018. The company keeps inventory of raw material and work in progress which is required in the elongated manufacturing process. The creditor days are also stretched at 108 days in FY2019 as against 49 days in FY2018. The average utilization of cash credit stood at ~94 percent for past six months through May, 2019. Acuité believes that efficient working capital management will be the key rating sensitivity.

**Liquidity Position**

Liquidity profile of SIPL is moderate reflected by sufficient net cash accruals against its maturing debt obligations. SIPL has reported cash accruals of Rs.0.67 crore in FY2019 (Provisional) and expected to generate cash accruals in the range of Rs.0.75-1.04 crore over the medium term against repayment obligations of Rs.0.10 crore. The average utilization of working capital limits are about 94 per cent for the last six months ended May 2019. The current ratio stood at 1.25 times in FY2019 (Provisional). Acuité believes that the cushion in its accruals is expected to be absorbed into its incremental working capital operations resulting into moderate liquidity profile.

**Outlook: Stable**

Acuité believes that SIPL will maintain a 'Stable' business risk profile over the medium term based on its experienced management. The outlook may be revised to 'Positive' in case the company registers a substantial increase in the scale of operations while maintaining profit margins. Conversely the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues amidst competition or in case of deterioration in the company's financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	21.58	27.88	14.57
EBITDA	Rs. Cr.	1.58	1.82	1.43
PAT	Rs. Cr.	0.49	0.68	0.42
EBITDA Margin	(%)	7.32	6.52	9.81
PAT Margin	(%)	2.29	2.44	2.86
ROCE	(%)	13.28	17.73	16.95
Total Debt/Tangible Net Worth	Times	1.42	1.66	1.76
PBDIT/Interest	Times	2.15	2.52	2.03
Total Debt/PBDIT	Times	3.94	3.44	3.82
Gross Current Assets (Days)	Days	238	186	289

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

None

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Apr-2018	Cash Credit	Long Term	5.00	ACUITE BB/Stable (Assigned)
	Term loans	Long Term	0.30	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (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	5.00	ACUITE BB- / Stable (Downgraded from ACUITE BB/ Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE BB- / Stable (Downgraded from ACUITE BB/ Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)

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**About Acuité Ratings & Research:**

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