

Press Release

Ven Biotech Private Limited

June 11, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.5.00 crore bank facilities of Ven Biotech Private Limited (VBPL). The outlook is '**Stable**'.

Incorporated in 2009, Ven Biotech Private Limited (VBPL) a Chennai, Tamil Nadu based company is engaged in manufacturing of herbal extracts, bioactive ingredients, nutraceuticals, cosmetics ingredients, herbal health supplementary products, phytochemicals among others. VBPL was promoted by Dr. M.Venugopal and Mrs. V.Padmaja. Apart from manufacturing, company also provides cultivation services where client can start cultivation of medicinal plants under VBPL guidance.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Incorporated in 2009, VBPL has operational track record of nearly a decade in the industry. Directors of the company are well qualified and have experience of more than two decades in botanical products segment. VBPL has reputed customer base spread across India and overseas countries like Canada, Australia, Japan and New Zealand for its products majorly turmeric extracts. About 90 per cent of its revenues are from overseas markets, and remaining from domestic players. The diverse product portfolio, and healthy relations with the overseas clientele supported in healthy growth in revenues at a compound annual growth rate (CAGR) of 31.48 per cent over four years through FY2018 (refers to financial year, April 1st to March 31st) with a revenue of about Rs.24.0 crores(provisional) for FY2018. Acuite' believes that VBPL will continue to benefit from its experienced management and established relation with its customers and suppliers in improving its business risk profile over the medium term.

Weaknesses

Weak financial risk profile and low profitability

The financial risk profile is weak marked by high gearing (debt-to-equity ratio) of 9.16 times (provisional) as on 31 March, 2018; high on account of modest network, modest scale of operations and low profitability margins. Its net worth is at Rs.0.67 crores (provisional) as on March 31, 2018; also its revenues are modest, though improved from lows of Rs.8.0 crores in FY2015 to about Rs.24.0 crores in FY2018. Further, the profitability margins are low at about 6 per cent at operating level due to higher input cost at about 87 per cent; and net margins are low at about 0.6 per cent. Its total outside liabilities to total network (TOL/TNW) is high at about 12.0 times in FY2018. Its debt protection metrics of interest coverage is comfortable at about 2.3 times in FY2018. Acuite' believes that the financial risk profile is expected to improve marginally over the medium term on the back of promoter's commitment to infuse equity into the company, besides converting the unsecured loans.

Highly competitive industry reflected by moderate scale of operations

The company is exposed to intense competition from numerous organized as well as unorganized players in the domestic market putting pressure on topline and profitability. VBPL registered revenue of

Rs.17.48 crore in FY2017 against 16.79 crores in FY2016. Continuous investments in research and development to improve and increase the product base, to improve the revenues and profitability are the key rating sensitivity factors.

Analytical Approach

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

Outlook: Stable

Acuite believes that VBPL will maintain a stable outlook and continue to benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case VBPL registers higher-than-expected profitability while sustaining the revenue growth and improvement in the capital structure by equity infusion. Conversely the outlook may be revised to 'Negative' in case of any further deterioration in its capital structure owing to stretch in its working capital intensive operations or sharp decline in its profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.48	16.79	8.03
EBITDA	Rs. Cr.	1.12	0.92	0.29
PAT	Rs. Cr.	0.10	0.11	0.03
EBITDA Margin	(%)	6.38	5.46	3.65
PAT Margin	(%)	0.57	0.64	0.41
ROCE	(%)	14.18	12.17	1.79
Total Debt/Tangible Net Worth	Times	18.08	29.04	67.79
PBDIT/Interest	Times	1.74	1.67	53.66
Total Debt/PBDIT	Times	5.89	5.94	19.92
Gross Current Assets (Days)	Days	92	79	175

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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	5.00	ACUITE B / Stable

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>
<p>Solaman Sunny Analyst - Rating Operations Tel: 080-46634604 solaman.sunny@acuiteratings.in</p>	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.