

Press Release

Prakruti Life Science Private Limited

June 27, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs.9.00 crore bank facilities of Prakruti Life Science Private Limited. The outlook is '**Stable**'.

PLSPL was incorporated in 2012. The company is engaged in manufacture of bulk pharmaceutical formulations, tablets and capsules for solid oral dosage. The unit is based in Udupi (Karnataka) and has a capacity to produce 1 crore capsules and 5 crore tablets per month. The company is part of Prakruti group, which is engaged in herbal and ayurvedic extractions.

Key Rating Drivers

Strengths

- Established presence in the pharmaceuticals industry and experienced management**

PLSPL is a part of Prakruti group which has an established presence in pharmaceuticals industry. Incorporated in 2006 by Mr. Manur Raghavendra Shetty, Prakruti group is engaged in manufacturing of ayurvedic and herbal extracts. The management of the company has experienced in the pharma industry for more than three decades. The company has established healthy customer relationship with reputed customers such as Lupin Limited, RPG Life Sciences Ltd. Acuité believes that PLSPL will sustain the existing business profile on the back of established market presence and healthy customer relationship over the near to medium term.

Weaknesses

- Nascent stage of operations and customer concentration in its revenue profile:**

PLSPL is exposed to risks related to nascent stages of operation and customer concentration in its revenue profile. Further, the scale of operations is small as reflected in operating income of around Rs.11.78 crore for FY2017 and Rs.4.09 crore in FY2016. Further, PLSPL operations are customer concentrated as 60 percent of its sales are to Lupin Limited.

- Competitive and fragmented industry**

PLSPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Analytical Approach

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

Outlook: Stable

Acuité believes that PSL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.78	4.09	0.00
EBITDA	Rs. Cr.	1.04	-2.52	0.00
PAT	Rs. Cr.	-1.31	-5.47	0.00
EBITDA Margin	(%)	8.82	-61.69	0.00
PAT Margin	(%)	-11.14	-133.59	0.00
ROCE	(%)	-4.79	-33.03	0.07
Total Debt/Tangible Net Worth	Times	2.46	1.83	0.94
PBDIT/Interest	Times	1.15	-2.74	0.00
Total Debt/PBDIT	Times	7.48	-2.84	1400.20
Gross Current Assets (Days)	Days	60	48	0

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/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto 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	3.30	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.44	ACUITE B- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.76	ACUITE B- / Stable

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About Acuité Ratings & Research:

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