

Press Release

Prakruti Life Science Private Limited

August 13, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B-/ Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

PLPL was incorporated in 2012. The company is engaged in manufacturing 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. It has commercialised 25 products in the past 5 years. The company is a part of Prakruti Group, which is engaged in herbal and ayurvedic extractions.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established presence in the pharmaceuticals industry and experienced management

PLPL 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 PLPL will sustain the existing business profile on the back of established market presence and healthy customer relationship over the near to medium term.

Weaknesses

• Weak financial risk Profile

The company has weak financial risk profile with negative tangible networth of Rs. (1.53) crore as on March 31, 2019 as against Rs. 0.61 crore as on March 31, 2018. The gearing (debt to equity) stands at (6.68) times as on March 31, 2019 as against 16.07 times as on March 31, 2018. Total debt of Rs. 10.20 crore includes Rs. 6.24 crore of long term debt, Rs. 0.93 crore of unsecured loans from directors, Rs. 3.03 crore of working capital facilities. Net cash accruals to total debt (NCA/ TD) stands at 0.09 times.

• Nascent stage of operations

PLPL 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 Rs. 8.50 crore for FY2019 (Provisional) and Rs. 9.49 crore in FY2018.

• Competitive and fragmented industry

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

Liquidity Position

The liquidity position is stretched with low net cash accruals vis-à-vis high debt repayment obligations. It is also evident from its average working capital utilisation of ~97% for the past six months ended July 2019. The current ratio as on March 31, 2019 (Prov.) stood at 0.67 times.

Outlook: Stable

Acuité believes that PLPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	8.50	9.49	11.78
EBITDA	Rs. Cr.	(0.01)	1.99	1.04
PAT	Rs. Cr.	(2.14)	(0.17)	(1.31)
EBITDA Margin	(%)	(0.14)	21.00	8.82
PAT Margin	(%)	(25.15)	(1.77)	(11.14)
ROCE	(%)	(12.38)	6.42	(4.79)
Total Debt/Tangible Net Worth	Times	(6.68)	16.07	2.46
PBDIT/Interest	Times	(0.00)	2.10	1.15
Total Debt/PBDIT	Times	(2423.64)	4.92	7.48
Gross Current Assets (Days)	Days	239	206	60

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

None

Any other information

None

Applicable Criteria

- Entities in Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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 the Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
27-Jun-2018	Cash Credit	Long Term	3.30	ACUITE B-/ Stable (Assigned)
	Term Loan	Long Term	4.44	ACUITE B-/ Stable (Assigned)
	Proposed Term Loan	Long Term	0.50	ACUITE B-/ Stable (Assigned)
	Proposed Bank facility	Long Term	0.76	ACUITE B-/ Stable (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	3.03 (reduced from Rs. 3.30 Crore)	ACUITE B-/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.53	ACUITE B-/ Stable (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.44	ACUITE B-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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