



Press Release

Prakruti Life Science Private Limited

July 13, 2020

Rating Upgraded

Total Bank Facilities Rated*	Rs. 9.00 crore*
Long Term Rating	ACUITE B-/ Outlook: Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

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

Incorporated in 2012, Prakruti Life Science Private Limited is engaged in manufacturing of bulk pharmaceutical formulations, tablets and capsules for solid oral dosage. The unit is based in Udipi (Karnataka) and has a capacity to produce 1 crore capsules and 5 crore tablets per month. The company is a part of Prakruti Group, which is engaged in herbal and ayurvedic extractions.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PLSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

PLSPL is a part of Prakruti group which has an established presence in the 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 a healthy customer relationship with reputed customers such as Lupin Limited, RPG Life Sciences Ltd, etc. to name a few. Acuite 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

- **Weak financial risk profile**

The financial risk profile of the company has been continuously deteriorating marked by moderation in coverage indicators. The net worth levels of PLSPL have seen significant deterioration, stood at Rs. (0.90) as on 31st March, 2020 (Provisional) as against Rs. (1.15) crore as on 31st March, 2019, primarily due to the net loss incurred over the last three years.

Lower profitability has led to moderation in coverage indicators of the company marked by debt-service-coverage-ratio of 2.39 times as on 31st March, 2020 (Provisional) as against 0.32 times as on 31st March, 2019 and interest coverage ratio of 2.34 times as on 31st March, 2020 (Provisional) as against 0.27 times as on 31st March, 2019. Further, TOL/TNW has impacted marginally over the last three years to (17.04) times as on 31st March, 2020 (Provisional) as against (13.47) times as on 31st March, 2019 and 22.77 times as on 31st March, 2018. Further, lower net cash accruals have impacted the liquidity in PLSPL, resulted in higher dependence on the working capital limits. Acuité believes that the decline in profitability of the company leading to deterioration in financial risk profile will impinge a negative bias towards the rating.

• Working capital intensive nature of operations

PLSPL working capital operations continue to remain intensive as evident from the GCA of 270 days during FY20 (Provisional) as against 248 days in FY19 due to an increase in inventory levels. The inventory holding period has increased to 248 days in FY20 (Provisional) as against 145 days in FY19. The working capital intensity is also reflected from the full utilization of its limit during the six months ended May, 2020. Acuité expects the operations of the company to remain working capital intensive on account of the high level of inventories to be maintained.

Rating Sensitivity

- Significant improvement in its working capital management.
- Improvement in profitability levels thereby impacting company's debt coverage indicators.

Material Covenants

None

Liquidity: Stretched

The company has stretched liquidity profile marked by a limited cushion in net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 1.20 crore for FY2020 (Provisional) as against maturing debt obligations of around Rs. 0.31 crore for the same period. PLSPL's working capital operations have deteriorated in FY2020 (Provisional) marked by a significant increase in Gross Current Asset (GCA) days to 270 in FY2020 (Provisional) from 248 in FY2019. The increase in GCA has led to higher reliance in external borrowings indicated by fully utilized working capital limits. The current ratio stood at 0.78 times as on 31 March, 2020 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.04 crore as on March 31, 2020 (Provisional). Acuité believes that the liquidity profile of the company is likely to improve over the medium term in the absence of any debt-funded capex.

Outlook: Stable

Acuité believes that PLSPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	9.32	8.54
PAT	Rs. Cr.	0.24	(1.76)
PAT Margin	(%)	2.59	(20.65)
Total Debt/Tangible Net Worth	Times	(10.60)	(8.90)
PBDIT/Interest	Times	2.34	0.27

Status of non-cooperation with other CRA

- CRISIL, vide its press release dated April 20, 2020 had denoted the rating of PLSPL as "CRISIL D; Issuer not co-operating" on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27 th April, 2020	Cash Credit	Long-Term	3.03	ACUITE D (Downgraded; Issuer not co-operating*)
	Term Loan	Long-Term	3.53	ACUITE D (Downgraded; Issuer not co-operating*)
	Proposed Term Loan	Long-Term	2.44	ACUITE D (Downgraded; Issuer not co-operating*)
13 th August, 2019	Cash Credit	Long-Term	3.03	ACUITE B-/ Stable (Reaffirmed)
	Term Loan	Long-Term	3.53	ACUITE B-/ Stable (Reaffirmed)
	Proposed Term Loan	Long-Term	2.44	ACUITE B-/ Stable (Reaffirmed)
27 th June, 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	ACUITE B-/ Stable (Upgraded)
Term Loan	Not Available	Not Applicable	Not Available	3.53	ACUITE B-/ Stable (Upgraded)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.44	ACUITE B-/ Stable (Upgraded)

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About Acuite Ratings & Research:

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