

Press Release

Prakruti Life Science Private Limited

June 25, 2021



Rating Withdrawn

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Long Term Rating	ACUITE B-/(Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn its long-term rating of '**ACUITE B-**' (**read as ACUITE B Minus**) on the Rs.9.00 Cr bank facilities of Prakruti Life Science Private Limited (PLSPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

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 Udupi (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

Acuité has taken the standalone view of the business and financial risk profile of PLSPL to arrive at the rating

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

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 experience in the pharma industry for more than three decades. The company has established a healthy customer relationship with its reputed customers such as Lupin Limited, RPG Life Sciences Ltd among others. 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

- **Weak financial risk profile**

PLSPL's financial risk profile is weak, marked by a low net worth, highly leveraged capital structure and moderate debt protection metrics. RCL's net worth stood low at Rs.1.44 Cr as on March 31, 2020 as against Rs.(1.15) Cr as on March 31, 2019. PLSPL's capital structure is highly leveraged marked by its high gearing (debt-to-equity) and high total outside liabilities to tangible networth (TOL/TNW) ratio of 7.57 times and 9.10 times, respectively, as on March 31, 2020 vis-à-vis -8.90 times and (13.40) times as on March 31, 2019. Debt protection metrics are moderate, reflected in its interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 2.34 times and 0.11 times, respectively, in FY2020 vis-à-vis 0.27 times and -0.06 times for FY2019. Acuité believes that PLSPL financial risk profile is expected to continue weak over the medium.

- **Working capital intensive nature of operations**

PLSPL's operations are highly working capital intensive marked by its gross current assets (GCA) of 206-270 days in the last three years through March 31, 2020 due to an elongated inventory levels staggered receivable cycle. PLSPL receivables were at 71-91 days and inventory days at 145-248 days over the last three years through FY2020. However, it gets a high credit period from its suppliers, which provides comfort to the working capital position to a certain extent. Its creditor days stood at 144-318 days during last three years ended March 31, 2020. Its bank limits are utilised at 100 percent during last six months through March 2021. Acuité expects the operations of the company to remain working capital intensive on account of the high level of inventories to be maintained.

Liquidity Position: Stretched

PLSPL has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations and fully utilized bank limits. The PLSPL has generated cash accruals of Rs.1.20 Cr in FY2020, while its maturing debt obligations were in the range of Rs.0.85 Cr during the same period. PLSPL operations are high working capital intensive as reflected by the Gross Current Assets (GCA) days at of 206-270 days over the past three fiscals ended through March 31, 2020. As a result, the reliance on working capital limits utilized is around 100 percent during the past six months ended through March 2021. The current ratio stands at 1.07 times and maintained low unencumbered cash and bank balances of Rs.0.04 Cr as on 31 March 2020. Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term.

Rating Sensitivities

- Significant improvement in scale of operations, while improving its profitability margins
- Sustenance of prudent working capital cycle
- Further decline in operating profitability, resulting in weaker cash accrual.
- Any further large debt-funded capital expenditure, impacting the financial risk profile adversely.

Material covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	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	7.57	-8.90
PBDIT/Interest	Times	2.34	0.27

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-July-2020	Cash Credit	Long Term	3.03	ACUITE B-/ Stable (Upgraded)
	Term Loan	Long Term	3.53	ACUITE B-/ Stable (Upgraded)
	Proposed Term Loan	Long Term	2.44	ACUITE B-/ Stable (Upgraded)
27-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-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)

***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- (Withdrawn)
Term Loan	26-02-2021	9.10%	28-01-2028	3.53	ACUITE B- (Withdrawn)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.44	ACUITE B- (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate Ratings Tel:022-4929 4041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-4929 4011 rating.desk@acuite.in
Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 bhavani.sankar.oruganti@acuite.in	

About Acuité Ratings & Research:

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