

Press Release

Lyophilization Systems India Private Limited

October 15, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 9.00 crore bank facilities of LYOPHILIZATION SYSTEMS INDIA PRIVATE LIMITED. The outlook is '**Stable**'.

Hyderabad-based, Lyophilization Systems India Private Limited (LSIPL) was incorporated in 2003 by Mr. Satya Prasad and Mr. Narendar. LSIPL is engaged in manufacturing of lyophilizers and its spares. LSIPL also provides post installation services. The company mainly caters to pharma industry. LSIPL also exports to almost 30 countries.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

Mr. Satya Prasad (Director) and Mr. Narendar (Director) have an experience of over two and a half decades each in industrial machinery segment. The established track record of operations and experience of management have helped the company to develop healthy relationships with its clientele and suppliers.

Acuite believes that LSIPL will sustain its existing business risk profile backed by established track record of operations and experienced management.

• Healthy financial risk profile

The financial risk profile of the company stood healthy marked by moderate net worth, low gearing, healthy debt protection metrics and coverage indicators. The net worth of LSIPL stood at Rs. 16.62 crore as on 31 March, 2019 as against Rs. 14.25 crore as on 31 March, 2018. The improvement in net worth is attributable to higher accretion to reserves on account of consistent growth in profitability and no major debt funded capex. The gearing (debt-equity) stood at 0.03 times as on 31 March, 2019 as against 0.00 times as on 31 March, 2018. The total debt of Rs. 0.44 crore as on 31 March, 2019 mainly comprises Rs. 0.44 crore of long term debt. The coverage indicators are healthy marked by Debt Service Coverage Ratio (DSCR) and Interest Coverage Ratio (ICR) stood at 17.96 times and 13.69 times in FY2019 as against 17.53 times and 13.68 in FY2018, respectively. Total Outstanding Liabilities/ Tangible Net Worth stood at 1.66 times in FY2019 as against 1.18 times in FY2018.

Acuite believes that the financial risk profile of the company is expected to remain healthy backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

• Working capital intensive cycle

LSIPL has working capital intensive nature of operations marked by Gross Current Assets (GCA) days of 340 in FY2019 as against 316 days in FY2018. This is majorly due to high work-in-progress inventory of 217 in FY2019, as LSIPL takes 6-8 months to deliver a 'Lyophilizer'. The stretched debtor days is also because of the elongated manufacturing process and delays in payment realization

from customers. LSIPL enjoys credit period of 152 days from its suppliers, which moderates the working capital requirements.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Rating Sensitivities

- Substantial improvement in scale of operation, while improving profitability margin.
- Elongated working capital cycle

Material covenants

None

Liquidity: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.66 crore for FY2019, while its maturing debt obligations were Rs. 0.11 crore for the same period. The cash accruals of LSIPL are estimated to remain in the range of around Rs. 2-3 crores during 2020-22 against debt repayment obligations of Rs. 0.11 crore. The company's working capital operations are intensive marked by 340 gross current asset (GCA) days for FY2019. LSIPL maintains unencumbered cash and bank balances of Rs. 3.05 crore as on 31 March, 2019. The current ratio stood at 1.52 times as on 31 March, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of high cash accrual against debt repayment obligations over the medium term.

Outlook: Stable

Acuite believes that LSIPL will maintain a 'Stable' outlook on account of experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations, while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	40.89	30.50	42.42
EBITDA	Rs. Cr.	3.65	2.71	3.73
PAT	Rs. Cr.	2.37	1.80	2.22
EBITDA Margin	(%)	8.93	8.89	8.80
PAT Margin	(%)	5.79	5.90	5.23
ROCE	(%)	21.80	17.70	25.61
Total Debt/Tangible Net Worth	Times	0.03	0.00	0.15
PBDIT/Interest	Times	17.96	17.53	17.87
Total Debt/PBDIT	Times	0.12	0.00	0.50
Gross Current Assets (Days)	Days	340	316	203

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

Care Ratings, vide its press release dated August 14, 2019, has denoted the rating of Lyophilization Systems India Private Limited as CARE BB/Stable/CARE A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Sep-2019	Cash Credit	Long Term	3.50	ACUITE BB+ (Indicative)
	Bank Guarantee	Short Term	4.50	ACUITE A4+ (Indicative)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB+ (Indicative)
14-Aug-2018	Cash Credit	Long Term	3.50	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	4.50	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB+ / 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	3.50	ACUITE BB+ / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ / Stable (Reaffirmed)

*sublimit of PCL/PCFC/FDBN/BP/PSFC up to Rs.1.50 crore

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About Acuité Ratings & Research:

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