

Press Release

Ishaan Bio Private Limited

September 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.05 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 9.05 crore bank facilities of Ishaan Bio Private Limited (IBPL). The outlook is '**Stable**'.

The Gujarat-based, IBPL was incorporated in 2007 by Mr. Dipal Palkhiwala and Ms. Ishita Palkhiwala. IBPL is engaged in manufacture, supply and research of various Bio-products. The bio-products includes various products that are used in different industries such as beverage, leather, textile, animal feed, agriculture, paper among others. The company has R&D setup with pilot plant and application lab to research, develop and produce biotech solutions. It has in-house Quality Control and Quality Assurance labs. It is accredited with certificates of ISO 9001, ISO 22000 to name a few.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Ishaan Bio Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

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

The company is engaged in manufacturing of enzymes, proteins, carbohydrates and fibres. The main promoter, Mr. Dipal Palkhiwala was earlier associated with biotech company for more than two decades which is engaged in similar line of business. Established position and experienced management has helped the company to acquire reputed customers.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by adjusted tangible net worth at Rs.6.36 crore as on 31 March, 2018 as against Rs.4.70 crore in the previous year. IBPL's gearing stood moderate at 1.46 times as on 31 March, 2018 as compared to 1.51 times in the previous year. The company has comfortable coverage ratio for the period under study and stood at 3.71 times in FY2018 as compared to 2.15 times in FY2017. ROCE stood healthy at 22.71 percent in FY2018 as compared to 19.39 percent in FY2017. The total outside liabilities to tangible net worth stood at 2.26 times as on 31 March, 2018 as against 2.50 times in the previous year.

- **Comfortable working capital management**

The operations of IBPL have remained comfortable as the Gross Current Asset (GCA) days stood at 169 in FY2018 as against 194 days in FY2017. The company has an inventory holding period of 39 days in FY2018 as against 52 days in the previous year and collection period of 100 days in FY2018, an improvement from 116 days in FY2017.

Weaknesses

• **Moderate scale of operation**

The operating income of the company stood at Rs.34.76 crore in FY2018 compared to Rs.23.76 crore in FY2017 and Rs.15.89 in FY2016. Acuité believes that scaling up of operations while maintaining the company's profitability will remain a key rating sensitivity.

• **Susceptibility to regulatory and compliance-related issues**

The company remains susceptible to changes in regulations related to food and drug safety norms. Any non-compliance could lead to product recall, discontinuation of business by customers, and litigation, which may adversely affect business and financial performances.

• **Margins are vulnerable to volatility in raw material prices and foreign exchange rate**

The company imports around 15-18 percent of its requirement from outside India. Hence, the margins are susceptible to volatility in foreign exchange rate in the absence of adequate hedging mechanism.

Outlook: Stable

Acuité believes that IBPL will maintain 'Stable' outlook over the medium term on the back of experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.76	23.76	15.89
EBITDA	Rs. Cr.	3.56	2.14	1.26
PAT	Rs. Cr.	1.61	0.56	0.35
EBITDA Margin	(%)	10.23	8.99	7.92
PAT Margin	(%)	4.65	2.37	2.22
ROCE	(%)	22.56	18.39	26.46
Total Debt/Tangible Net Worth	Times	1.47	1.51	4.35
PBDIT/Interest	Times	3.68	2.15	2.78
Total Debt/PBDIT	Times	2.61	3.31	5.03
Gross Current Assets (Days)	Days	169	194	149

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.10	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BB+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.70	ACUITE A4+

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About Acuité Ratings & Research:

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