

## Press Release

Ishaan Bio Private Limited

November 26, 2019

### Rating Upgraded



|                                     |   |
|-------------------------------------|---|
| <b>Total Bank Facilities Rated*</b> | Rs.9.05 Cr.   |
| <b>Long Term Rating</b>             | ACUITE BBB- / Outlook: Stable<br>(Upgraded from ACUITE BB+ /Stable) |
| <b>Short Term Rating</b>            | ACUITE A3<br>(Upgraded from ACUITE A4+)                             |

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from **ACUITE BB+** (read as **ACUITE double B plus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.9.05 crore bank facilities of Ishaan Bio Private Limited (IBPL). The outlook is '**Stable**'.

The rating upgrade is on account of improvement in the business and financial risk profile of the company which was mainly driven by consistent revenue growth along with improved profitability. The revenue of the company has improved to Rs.46.70 crore for FY2019 from Rs.34.76 crore in the previous year. With the current year performance of Rs.24.93 crore for the period April to September 2019 (Provisional), Acuité believes that the company will be able to sustain the revenue growth.

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 such as enzymes, proteins concentrates, starches, syrups, sweeteners. These products find their application in various industries such as beverage, leather, textile, animal feed, agriculture, paper among others. IBPL has an in-house Quality Control and Quality Assurance labs. The company has registered office and two manufacturing facility both are located in Ahmedabad. It is accredited with certificates like ISO 9001, ISO 22000, Kosher, Halal, FSSAI to name 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

- **Experienced management and established presence in the industry**

The company has an established presence of more than a decade in the bio-chemical industry; catering to a wide clientele base in India and abroad. The company is engaged in manufacturing of enzymes, proteins, carbohydrates and fibres. It caters to various industries such as Beverage, leather, textile, Animal feed, agriculture, Paper among others. 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. Over the years, the promoters have built strong customer base, resulting in repeat orders from them.

Acuité believes that company's operations will benefit from the promoter's extensive experience and track record of operations over the medium term.

- **Consistent growth in revenues and healthy profitability**

The company has reported CAGR of 43 percent for the period under study from FY2016 to FY2019. The revenues stood at Rs.46.70 crore in FY2019 compared to Rs.34.76 crore in FY2018 and Rs.23.76 crore in FY2017. The improvement in revenues is on account of repeated orders from existing customers. The operating margins stood healthy at 10.58 percent in FY2019 compared to 10.23 percent in FY2018. The company posted profit after tax (PAT) margin of 5.06 percent in FY2019 against 4.65 percent in FY2018.

- **Above average financial risk profile**

IBPL has above average financial risk profile marked by adequate net worth, low gearing and healthy debt protection metrics. The net worth stood at Rs.9.77 crore as on March 31, 2019, which has witnessed sequential improvement from Rs.6.31 crore as on March 31, 2018. The accretion to net worth was mainly on account of steady operating profitability to reserves and infusion of equity capital.

IBPL has followed a moderate financial policy in the past as reflected by its peak gearing of 1.51 times over the last three years through 2017-19. The gearing of the company improved at 0.99 times, as on March 31, 2019 due to capital infusion and no additional debt exposure. The same is expected to improve on account of no major capex plans. The total outside liabilities to tangible net worth ratio also stood at around 1.57 times as on March 31, 2019. IBPL's total debt of Rs.9.71 crore as on March 31, 2019 includes term loans of Rs.1.57 crore, unsecured loans Rs.1.28 crore and working capital borrowings of Rs.6.86 crore. The interest coverage ratio (ICR) of the company stood healthy at around 4.44 times for FY2019 and the net cash accruals to total debt stood moderate at 0.29 times for FY2019. The debt service coverage ratio (DSCR) stood at 2.53 times for FY2019. The company's annual net cash accruals (PAT + Depreciation) were ~Rs.2.82 crore for FY2019 as against which it had annual repayment obligations is of ~Rs.0.45 crore. Acuité believes that IBPL will maintain its financial risk profile on the back of gradual growth in revenue, sustenance of its profitability margins and no major capex plans over the medium term.

- **Efficient working capital management**

The operations of IBPL have remained efficient as the Gross Current Asset (GCA) days stood at 154 in FY2019 as against 169 days in FY2018. The company has an inventory holding period of 36 days in FY2019 as against 39 days in the previous year and collection period of 97 days in FY2019, an improvement from 100 days in FY2018. Acuité expects the company to maintain its working capital on a moderate level over the medium term.

## **Weaknesses**

- **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's margin are susceptible to changes in prices in agro products. The imports around 15-18 percent of its requirement from outside India. Hence, the margins are susceptible to volatility in foreign exchange rate. But the same is mitigated by exports done by company.

## **Rating Sensitivities**

The company's ability to improve the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile are the key rating sensitivity.

## **Material Covenants**

None

## **Liquidity Profile- Adequate**

IBPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.0.89 crore – Rs.2.82 crore during the last three years through 2017-2019, while there maturing debt obligations in range of Rs.0.29 crore-Rs.0.63 crore over the same period. The cash accruals are estimated to remain at around Rs.3.28-5.75 crore during 2020-22 against repayment obligation in range of Rs.0.53-0.92 crore for the same period. The company's working capital cycle is efficiently managed marked by Gross Current Asset (GCA) days of 154 in FY 2019. The current ratio stood moderate at 1.56 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against no major debt obligation.

## **Outlook: Stable**

Acuité believes that the IBPL will maintain a '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 deterioration in the company's financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

|                               | Unit    | FY19 (Actual) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 46.70         | 34.76         | 23.76         |
| EBITDA                        | Rs. Cr. | 4.94          | 3.56          | 2.14          |
| PAT                           | Rs. Cr. | 2.36          | 1.61          | 0.56          |
| EBITDA Margin                 | (%)     | 10.58         | 10.23         | 8.99          |
| PAT Margin                    | (%)     | 5.06          | 4.65          | 2.37          |
| ROCE                          | (%)     | 24.73         | 22.56         | 18.39         |
| Total Debt/Tangible Net Worth | Times   | 0.99          | 1.47          | 1.51          |
| PBDIT/Interest                | Times   | 4.44          | 3.68          | 2.15          |
| Total Debt/PBDIT              | Times   | 1.99          | 2.61          | 3.31          |
| Gross Current Assets (Days)   | Days    | 154           | 169           | 194           |

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

None

### Any other information

Not Applicable

### Applicable Criteria

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

| Date        | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook                |
|-------------|---------------------------------|------------|------------------|--------------------------------|
| 7-Sept-2018 | Cash Credit                     | Long Term  | 5.10             | ACUITE BB+ / Stable (Assigned) |
|             | Term Loan                       | Long Term  | 1.25             | ACUITE BB+ / Stable (Assigned) |
|             | Packing Credit                  | Short Term | 2.70             | ACUITE A4+ (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 | 5.10                        | ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable) |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 0.69 (Revised from Rs.1.25) | ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable) |
| Packing Credit         | Not Applicable   | Not Applicable | Not Applicable | 2.70                        | ACUITE A3 (Upgraded from ACUITE A4+)                   |
| Proposed Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 0.56                        | ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable) |

## Contacts

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### About Acuité Ratings & Research:

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