

Press Release

Ishaan Bio Private Limited

May 03, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.05 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating to '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 9.05 cr. bank facilities of Ishaan Bio Private Limited (IBPL). The outlook is '**Stable**'.

Rationale for rating reaffirmed

The rating is reaffirmed on account of moderate financial risk profile marked by moderate net worth, healthy gearing and debt protection metrics. Also, the rating derives comfort from extensive experience of promoters spanning over two decades in the chemical industry with reputed clientele. On the contrary, the rating is constrained by IBPL's restricted operational performance and intensive nature of working capital operations.

About the company

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 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 the IBPL to arrive at this rating.

Key Rating Drivers

Strengths

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

Incorporated in 2007, Ahmedabad based IBPL is engaged in manufacturing of enzymes, proteins, carbohydrates and fibers. The operations of the company are led by, Mr. Dipal Palkhiwala who poses more than two decades of experience in the aforementioned industry. The top management is ably supported by well experienced technical team. Established position and experienced management has helped the company to acquire reputed customers.

Acuité believes that the company will benefit from the experience of the management in the aforementioned industry in developing healthy relationships with its customers and suppliers.

- **Moderate financial risk profile**

The financial risk profile of IBPL is moderate marked by moderate net worth, healthy gearing and debt protection metrics.

The company's net worth stood at Rs. 14.99 Cr as on 31st March 2020 as against Rs. 11.06 Cr as on 31st March 2019. The company follows conservative financial policy which is reflected by company's gearing levels (debt-to-equity) of 0.57 times as on March 31, 2020 as against 0.76 times as on March 31, 2019 & total outside liabilities to total net worth (TOL/TNW) of 0.92 times as on FY2020 vis-à-vis 1.28 times as on FY2019.

Moderate profitability has led to interest coverage ratio of 4.02 times for FY2020 as against 4.44 times in FY2019. Further, the company generated cash accruals of Rs. 2.67 crore for FY2020 as against Rs. 0.53 crore

of repayment obligations for the same period. Also, the promoters have infused funds in the form of quasi equity to the extent of Rs. 1.68 crore in FY2020.

Acuité believes that the financial risk profile of IBPL is expected to further improve on account of improvement in profitability and absence of any debt-funded capex 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.

- **Working capital intensive in nature**

IBPL operations are moderately working capital intensive marked by Gross Current Assets (GCA) of about 168 days in FY2020 which slightly increased from 154 days in FY2019. The inventory days stood moderate at 54 days for FY2020 as against 36 days for FY2019. The debtor's days stood improved at 88 days for FY2020 as against 97 days for FY2019. Further, Creditors payment period is 39 days as on 31 March 2020 instead of 42 days. Current Ratio stood at 1.64 times as on 31 March 2020 as against 1.56 in the previous year.

Company has higher reliance on working capital borrowings, the cash credit limit of company remains utilized at ~83 percent for the last nine months period ended December 2020.

Acuité believes that the company will continue to maintain moderate working capital cycle on account of moderate receivable days

- **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.

Rating Sensitivity

- Deterioration in profitability margins.
- Significant decline in scale of operations
- Further deterioration in working capital operations

Material Covenants

None

Liquidity position: Healthy

The company has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.67 crore for FY2020 as against Rs. 0.53 crore of repayment obligations for the same period. The company has unencumbered cash and bank balances of only Rs. 0.11 crore as on 31st March 2020. Further, the fund-based working capital limit for cash credit are utilized at an average of 83.43 per cent in the last six months. Even though the limits are utilized at higher rate, there are enough net cash accruals to support incremental working capital requirements.

Acuité believes that the liquidity of the firm is likely to remain strong over the medium term on account of healthy cash accruals as against maturing debt obligations over the same period.

Outlook: Stable

Acuité believes that the outlook on Ishaan Bio Private Limited facilities will remain 'Stable' over the medium term on account of experienced management & comfortable financial risk profile of the company. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	45.50	46.70
PAT	Rs. Cr.	2.15	2.36
PAT Margin	(%)	4.74	5.06
Total Debt/Tangible Net Worth	Times	0.57	0.76
PBDIT/Interest	Times	4.02	4.44

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>

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
26-Nov-19	Cash Credit	Long term	5.10	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
	Term Loan	Long term	0.69 (Revised from Rs.1.25)	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
	Packing Credit	Short Term	2.70	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed facility	Long Term	0.56	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
07-Sep-18	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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.10	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	0.37	ACUITE BBB- / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.70	ACUITE A3 (Reaffirmed)
Proposed facility	Not Applicable	Not Applicable	Not Applicable	0.88	ACUITE BBB- / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rohan Gambhir Rating Analyst - Rating Operations Tel: 011-49731313 rohan.gambhir@acuite.in	

About Acuité Ratings & Research:

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