

Press Release

Ransh Pharma Private Limited

November 08, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs.10.00 crore
Long Term Rating	ACUITE B/ Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs 10.00 Cr bank facilities of Ransh Pharma Private Limited (RPPL). The outlook is '**Stable**'.

The rating on RPPL takes cognizance of the long-standing experience of the directors and healthy terms with suppliers and customers of the company. These strengths are, however, constrained by the below average business risk profile, working capital intensity in its operations and competitive and fragmented nature of the industry.

About the Company

RPPL is a Visakhapatnam based company incorporated in the year 2018. It had started its commercial production in December 3, 2020 due to the impact of Covid -19 pandemic. It is promoted by Mr Radha Krishna Talam, Mr Karri Adi Krishna Rao, Mr V Nageswar Rao and Mr K Gowri Sankara Rao, Mr. K Poorna Chandra Rao and Mr. K. Narasinga Rao. RPPL was established to manufacture bulk drugs and pharmaceutical intermediates; and had set up a manufacturing unit in Visakhapatnam with an installed capacity of 83.56 MT per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Ransh Pharma Private Limited (RPPL) to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Radha Krishna Talam possesses more than seventeen years of experience in the pharmaceuticals industry. He has been associated with Vasudha Pharma Chem Limited, Visakhapatnam for three years and before that worked for Aurobindo Pharma Limited, Hyderabad for twelve years. Mr. Adi Krishna Rao Karri has been associated with the industry for more than twenty years in managing various projects and the pharmaceuticals products and intermediaries. Acuité believes that promoter's experience in the industry is expected to support in early stabilization of their operations.

Weaknesses

- **Below Average financial risk profile**

The company's below average financial risk profile is marked by modest but improving networth, high gearing and poor debt protection metrics. The net worth of the firm stood at Rs.6.02 crores as on 31 March 2021 (Provisional) as against Rs 3.47 crores as on 31st March 2020 due to capital infusion by

promoters. The gearing stood high at 2.14 times as on March 31, 2021 (Provisional) as compared to 1.82 times as on March 31, 2020. The total debt of Rs. 12.87 crores as on March 31, 2021 (Provisional) consists of term loan of Rs 8.93 crores, unsecured loans to the extent of Rs 3.44 crores and current maturities of long-term debt of Rs. 0.50 crores. The poor debt protection metrics of the firm is marked by negative interest coverage ratio (ICR) and low DSCR which stood at 0.14 times in FY2021 (Provisional). Acuité believes that going forward the financial risk profile of the companies will improve with stabilization of operations.

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- **Nascent stage of operations**

The operations of RPPL commenced in December 3, 2020. Timely stabilisation of operations and ramp up in revenue and operating profitability in the initial stage of operations will remain a key concern.

- **Working capital intensive nature of operation**

The working capital-intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 818 days as on March 31, 2021 (provisional). The high GCA days are on account of high debtor period and high other current assets. The debtor period stood at 89 days as on March 31, 2021 (Prov.). In FY21, the significant fall in debtors were in line with the Indian ports facing serious inland service shortages amid a countrywide lockdown, exporters and importers were scrambling to move cargo in and out of terminals across the country. The other current assets stood at Rs 1.70 crores as at March 31, 2021 (Provisional) comprised of Input GST receivable at Rs 1.48 crore. However, the inventory period stood Nil as on 31st March, 2021 (prov.). Going forward, Acuité believes that working capital management of the firm will remain a key credit monitorable.

- **Intense competition and fragmented industry**

The pharmaceutical formulations industry has a large number of players, which makes this industry highly fragmented and intensely competitive. RPPL is a new entrant, thereby limiting its bargaining power and pricing pressure compared to well-established and larger players.

Rating Sensitivity

- Timely stabilization of operations
- Elongation in working capital cycle

Material Covenants

None

Liquidity position: Stretched

RPPL has poor liquidity position marked by the losses incurred by the company. The working capital operations of the firm are intensive marked by GCA (Gross Current Assets) Days of 818 days in FY 2021 (Provisional). However, the current ratio stood low at 1.68 times as on March 31, 2021 (Provisional). Acuité believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuité believes that the outlook on RPPL will remain 'Stable' over the medium term on account of the experience of the promoters. The outlook may be revised to 'Positive' in case of commencing the commercial production within the stipulated time and registers higher than expected cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any stretch in infusion of promoter's margin or any further cost or time overrun in beginning of production leads to deterioration of liquidity.

About the Rated Entity Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	0.86	-
PAT	Rs. Cr.	(1.22)	(0.00)
PAT Margin	(%)	(142.52)	-
Total Debt/Tangible Net Worth	Times	2.14	1.82
PBDIT/Interest	Times	(0.75)	(176.75)

Status of non-cooperation with previous CRA

Not Applicable

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 two years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
04-Sep-2020	Term Loan	Long term	10.00	ACUITE B/ Stable (Reaffirmed)
12-June- 2019	Proposed Term Loan	Long term	10.00	ACUITE B/Stable (Assigned)

*Annexure—Details of instruments rated

Instrument Information

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
SIDBI	Term Loan	20 Jun 2019	10.25%	Not Available	10.00	ACUITE B/Stable (Reaffirmed)

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About Acuité Ratings & Research

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