

Press Release

Claris Limited (Erstwhile Altheon Enterprises Limited)

April 19, 2021

Rating Downgraded



Total Bank Facilities Rated*	Rs.50.00 Cr.
Long Term Rating	ACUITE C (Downgraded from ACUITE BBB / Stable)
Long Term Rating	ACUITE D (Downgraded from ACUITE BBB / Stable)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A2)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.15.21 Cr. bank facilities of Claris Limited (Claris).

Acuite has further downgraded the long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.34.79 Cr. bank facilities of Claris Limited (Claris).

About the Company

Gujarat-based, Claris Limited (erstwhile Altheon Enterprises Limited (AEL)) was incorporated in 2013 by Mr. Arjun Handa and Mr. Aditya Handa. The name of the company was changed in the FY2020 from Altheon Enterprises Limited to Claris Limited. The company is engaged in manufacturing of bio-pellet and treasury management business taken over from its group companies post restructuring. Claris is also the holding company of Abellon Clean Energy Limited (ACEL) (**ACUITE BBB (CE) / Stable / A3+ (CE)**) which is engaged in generation of non-renewable energy through biomass, solar and waste to energy sources.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Claris Limited (Claris) and has additionally factored in the support which is likely to extend by Claris to its group companies in the form of equity & debt funding, and corporate guarantees provided to Abellon CleanEnergy Limited and Amreli Power Projects Limited and other group companies to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced promoters

Mr. Aditya Handa and Mr. Arjun Handa started Claris Lifesciences Limited in 1999 for trading of injectable products. Later in 2002, they setup three manufacturing units for injectable products and in 2004 for infusion products as well. The company became one of the pioneer supplier in these products segment in India and was listed on BSE in 2010, which was later delisted in March 2018. Claris Lifesciences Limited had grown at rapid rate and reached out to many territories. In 2012, it formed JV with Japan-based companies Otsuka Pharmaceutical Factory, Inc. and Mitsui & Co. Ltd. for infusion business in India and emerging markets, forming JV company 'Claris Otsuka' and carved out a wholly-owned subsidiary, 'Claris Injectables Ltd'.

In 2017, Claris Lifesciences Limited exited from the infusion business (Claris Otsuka) for USD 20mn and injectable business for USD 625mn to Baxter International Inc.

In the year 2008, Mr. Aditya Handa took exit from Claris Lifesciences Limited and setup renewable energy generation plant under Abellon Clean Energy Limited. Two Solar plant of 2 MW and 3 MW was setup in 2010 and 2012. Further, two biomass plant were setup in 2014.

After exiting from pharmaceutical business, Mr. Arjun Handa joined hands with Mr. Aditya Handa and entered the power generation business. Mr. Arjun Handa looks after the finance, marketing and HR whereas, Mr. Aditya Handa looks after the research and operations. In the Year 2018, group-restructuring scheme

was approved by the NCLT whereby, 12 companies were restructured and Claris Limited (erstwhile Altheon Enterprises Limited) became the ultimate holding company looking after treasury business along with operating two pellet plants.

Weaknesses

• Intensive Working capital requirements

The working capital requirements of Claris remain intensive marked by Gross current Assets (GCA) of 1573 days in FY2020 as against 1520 days in FY2019. While the inventory holding period stood at 24 days in FY2020 as against 53 days in FY2019 and debtors' collection period stood at 83 days in FY2020 as against 15 days in FY2019. Current ratio stands low at 0.33 times as on March 31, 2020 as against 0.56 times as on March 31, 2019. The company has also given significant loans and advances to its group entities and subsidiaries.

• Weak Financial risk profile

Claris' net worth stood at around Rs.1,569.98 crore as on March 31, 2020 as against Rs.1,815.47 crore as on March 31, 2019. Claris acquired the treasury division along with bio pellet plant post composite scheme of corporate restructuring among its group companies. While the company has an investment portfolio of Rs.1179.02 crores as on March 31, 2020, most of which remains pledged. Further, dilution in the investments made by Claris has been observed on Y-O-Y basis to pay off debt over the years. This is also visible in the negative net cash accruals of the company. The company derives ~58 percent of its revenue from treasury business and rest from bio pellet division. The company has defined investment philosophy whereby, it maintains short-term fund equivalent to three months debt obligation and rest in debt and mutual funds along with limited exposure to equity shares of listed companies. While Claris has followed conservative financial policy reflecting in low gearing of 0.12 times as on March 31, 2020. The coverage indicators remain inadequate due subdued business performance. The interest coverage ratio stood at (1.25) times for FY2020 while the DSCR stood at (2.85) times in FY2020. At the same time the corporate guarantees provided to Abellon CleanEnergy Limited and Amreli Power Projects Limited puts further risks on the financial risk profile of Claris to service debt obligations, in case the need arise.

• Delays in serving debt obligations

Claris has been delaying in servicing its debt obligations from Q3FY2021; owing to stretch in its liquidity. The stretch in liquidity is due to cash flow mismatches vis-à-vis repayment obligations. This has caused delays in repaying the obligations to the banks and full utilization of the working capital fund-based facility.

Liquidity position: Poor

Claris has poor liquidity position marked by Net Cash Accruals (NCA) of Rs. (237.23) Cr. as against its maturing debt obligations of Rs.89.74 Cr. in FY2020. The Company in FY2021 has sold substantial investments that were pledged to pay off the loans maturing. Going forward, the NCA is expected to decline on account of the impact of Covid -19. Further, Significant liquidity already remains blocked due to the loans and advances given to subsidiaries and group entities.

Rating Sensitivities

None

Material Covenants

None

Outlook: Stable

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	82.75	106.34
PAT	Rs. Cr.	(249.46)	38.19
PAT Margin	(%)	(301.48)	35.91
Total Debt/Tangible Net Worth	Times	0.12	0.20
PBDIT/Interest	Times	(1.25)	2.90

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

Not Applicable

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
19-Feb-2020	Cash Credit	Long Term	8.50	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	5.50	ACUITE BBB / Stable (Assigned)
	Term Loan – I	Long Term	21.25	ACUITE BBB / Stable (Assigned)
	Term Loan – II	Long Term	5.04	ACUITE BBB / Stable (Assigned)
	Term Loan – III	Long Term	5.56	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A2 (Assigned)
	Proposed Bank Facility	Long Term	3.15	ACUITE BBB / 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	10.40%	Not Applicable	8.50	ACUITE D / Stable (Downgraded from ACUITE BBB / Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE C (Downgraded from ACUITE BBB / Stable)
Term Loan – I	January, 2019	11.45%	December, 2023	21.25	ACUITE D (Downgraded from ACUITE BBB / Stable)
Term Loan – II	Not Available	12.15%	Not Available	5.04	ACUITE D (Downgraded from ACUITE BBB / Stable)
Term Loan – III	April, 2017	11.95%	March, 2022	5.56	ACUITE C (Downgraded from ACUITE BBB / Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Downgraded from ACUITE A2)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.15	ACUITE C (Downgraded from ACUITE BBB / Stable)

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About Acuité Ratings & Research:

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