

## Press Release

Sai Radha Pharma India Private Limited

June 30, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.83	ACUITE BB+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	40.83	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) on the Rs.40.83 Cr bank facilities of Sai Radha Pharma India Private Limited (SRPIPL). The outlook is '**Stable**'.

The rating reaffirmed favorably factors in its improved operations and profitability margins, efficient working capital management. The rating however is constrained by moderate financial risk profile.

## About the Company

Incorporated in 2012, SRPIPL is engaged in the retail and wholesale distribution of pharmaceutical products. The company is promoted by Mr. Manohar Shetty and Mrs. Anuradha Shetty. The company has seven retail stores in Udupi and Mangalore regions. The company also has two wholesale stores located in Udupi and Mangalore.

## Analytical Approach

Acuite has considered the standalone business and financial risk profile of Sai Radha Pharma India Private Limited (SRPIPL) to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Experience management

The promoter, Mr. Manohar Shetty started a retail pharmacy shop in Udupi in 1987. The Sai Radha Group has presence in pharmaceutical distribution since 1987 through a retail store operated under a partnership firm Radha Medicals and General Stores. In 2007, the Sai Radha Group ventured into wholesale distribution business through acquisition of Panchavati

Pharma. With a view to consolidate the entire pharmaceutical distribution business under one company, Mr. Manohar Shetty started SRPIPL in January 2012. Acuité believes that the company will continue to benefit from the promoters' experience in improving its business risk profile over the medium term.

### **Improving revenue and profitability**

Sai Radha Pharma India Private Limited (SRPIPL) has reported significant growth in revenue for FY22(Provisional) as the company generated Rs.167.56 Cr of revenue in FY22(Provisional) against Rs.138.45 Cr in FY21. There is decrease in revenue and PAT for FY22. It is mainly due to limited customers during the covid-19 pandemic restrictions. SRPIPL has bounced back to its previous operational performance in FY22 as it reported growth in revenue and the company has opened two new retail outlets in September 2021 in kundapura region whose combined monthly sales are estimated to be around Rs 1.2 Cr. As a total, the company is having seven retail outlets in Udupi region and two wholesale outlets one in Udupi and other in Mangalore region (SRPIPL is the wholesale pharmaceutical distributor for Udupi region). EBITDA and PAT margins improved and stood at 6.20 percent and 2.15 percent respectively in FY22(Provisional). Acuité believes that profitability of SRPIPL will improve in medium term on account of improving operations.

### **Efficient working capital cycle**

The company has an efficient working capital cycle marked by Gross Current Assets (GCA) days of 82 days as on March 31, 2022(Provisional) as against 104 days on March 31, 2021. The receivable days stood at 17 days as on March 31, 2022 (Provisional) as against 16 days as on March 31, 2021. The inventory days stood at 47 days as on March 31, 2022(Provisional) as against 51 days as on March 31, 2021. Acuité believes that maintaining efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

## **Weaknesses**

### **Moderate financial risk profile**

SRPIPL's financial risk profile is moderate marked by moderate net worth, moderate gearing (debt-to equity), and low total outside liabilities to total net worth (TOL/TNW). SRPIPL's net worth is moderate at Rs.18.01Cr as on March 31, 2022 (Provisional) as compared to Rs.14.41Cr as on March 31, 2021. Gearing is moderate at 1.65 times as on March 31, 2022 (Provisional). TOL/TNW is high at 2.44 times as on March 31, 2022 (Provisional) against 3.49 times as on March 31, 2021. Interest coverage ratio improved to 2.23 times as on March 31, 2022 from 1.59 times on March 31, 2021. Debt service coverage ratio (DSCR) stood at 1.06 times as on March 31, 2022 (Provisional). Acuité believes that financial risk position of SRPIPL will improve over the medium term.

### **Fragmented nature of industry and high regulatory intervention limits pricing flexibility**

Given the highly fragmented nature of the pharmaceutical distribution business, the company's pricing flexibility is limited. Besides, SRPIPL's operations are also exposed to changes in regulatory policy pertaining to pharmaceutical industry

## **Rating Sensitivities**

- Improving scale of operations while maintaining profitability.
- Improving the financial risk profile

## **Material covenants**

None

## Liquidity: Adequate

SRPIPL's liquidity position is adequate marked by sufficient net cash accruals to its maturing debt obligations in FY22. The company generated cash accruals of Rs.4.66 for FY22, with debt repayment obligations of Rs.4.10 Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.6.5Cr – Rs.8.5Cr over the medium term. The company's working capital operations are moderate, marked by GCA of 82 days for FY22. Unencumbered cash and bank balances stood at Rs.1.39 crore as on March 31, 2022. The current ratio of the company stood at 1.35 times in FY22. Bank limits utilization of SPUL stood high at ~84 percent over the past 6 months ending May 31, 2022. Acuité believes that the liquidity position of the company is likely to remain adequate on account of adequate cash accruals against its debt repayments over the medium term.

## Outlook: Stable

Acuité believes that SRPIPL will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	167.56	138.45
PAT	Rs. Cr.	3.60	1.50
PAT Margin	(%)	2.15	1.08
Total Debt/Tangible Net Worth	Times	1.65	2.74
PBDIT/Interest	Times	2.23	1.59

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

ICRA, vide its press release dated May 26, 2021 had denoted the rating of Sai Radha Pharma India Private Limited (SRPIPL) as 'ICRA B+/Stable (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Apr 2021	Cash Credit	Long Term	26.50	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	6.40	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	4.14	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	1.29	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BB+   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.50	ACUITE BB+   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	31-05-2017	10.25	31-12-2024	4.14	ACUITE BB+   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	31-07-2020	7.15	31-07-2022	2.50	ACUITE BB+   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	28-08-2020	7.50	31-10-2024	6.40	ACUITE BB+   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	23-06-2017	8.55	30-06-2024	1.29	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

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