



Press Release
Sai Radha Pharma India Private Limited
September 25, 2023
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	-	-

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**'.

Rationale for Rating Reaffirmation

The rating reaffirmation considers improved operating performance of SRPIPL marked by improvement in revenue, albeit declining margins and moderate financial risk profile. The revenue of the company improved to Rs.189.61 Cr in FY2023 (prov) as against Rs.167.17 Cr in FY2022. The operating margins declined to 4.85 percent in FY2023 (prov) from 5.87 percent in FY2022, primarily driven by increased raw material costs. The rating also factors the efficient working capital management and adequate liquidity position of the company. The rating however is constrained by below average financial risk profile, fragmented and highly regulated nature of the industry.

About the Company

Incorporated in 2012, SRPIPL is engaged in the retail and wholesale distribution of pharmaceutical products under the brand name "Radha Medicals" in Coastal regions of Karnataka. The company is promoted by Mr. Manohar Shetty and Mrs. Anuradha Shetty. The company has seven retail and two wholesale stores located across Udupi and Mangalore regions.

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 Product Pharma. With a view to consolidate the entire pharmaceutical distribution business under one company, Mr. Manohar Shetty started SRPIPL in January 2012. Currently, SRPIPL has total of seven retails outlets and two wholesale outlets in the coastal region of Karnataka.

The turnover of the company improved to Rs.189.61 Cr in FY2023 (prov) as compared to Rs.167.17 Cr in FY2022. Acuité believes that the company will continue to benefit from the promoters' experience in improving its business risk profile over the medium term.

Efficient working capital cycle

The company has an efficient working capital cycle marked by Gross Current Assets (GCA) days of 100 days as on March 31, 2023(Prov) as against 78 days on March 31, 2022. The receivable days stood average of 17 days for the last three years. The inventory days stood at 45 days as on March 31, 2023(Prov) as against 47 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

Below average financial risk profile

SRPIPL's financial risk profile is below average marked by modest net worth, moderate gearing (debt-to equity), and debt protection metrics. SRPIPL's net worth is modest at Rs.21.08 Cr as on March 31, 2023 (Prov) as compared to Rs.17.53 Cr as on March 31, 2022. Gearing ratio is moderate and stood at 1.65 times as on March 31, 2023 (prov) as compared to 1.69 times as on 31st March 2022. TOL/TNW is high at 2.50 times as on March 31, 2023 (Prov). Interest coverage ratio improved to 2.35 times as on March 31, 2023 (prov) from 2.11 times on March 31, 2022. Debt service coverage ratio (DSCR) stood at 1.02 times as on March 31, 2023 (Prov). SRPIPL planned four new retail outlets in coastal regions of Karnataka, which will be completed by FY2025. The total expenditure (capital expenditure and working capital) is estimated around Rs.10.00 Cr and same will be managed through term loans and internal accruals. Acuite believes that financial risk position of SRPIPL will improve over the medium term in spite of the CAPEX planned in future.

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 margins.
- Improving the financial risk profile.
- Any deterioration in working capital cycle and liquidity profile of the company.

All Covenants

Not applicable

Liquidity Position: Adequate

SRPIPL's liquidity position is adequate marked by sufficient net cash accruals to its maturing debt obligations in FY2023 (prov). The company generated cash accruals of Rs.4.40 for FY2023 (prov), with debt repayment obligations of Rs.4.20 Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.5.5Cr – Rs.7.66 Cr over the medium term. The company's working capital operations are moderate, marked by GCA of 100 days for FY2023 (prov). Unencumbered cash and bank balances stood at Rs.3.29 crore as on March 31, 2023 (prov). The current ratio of the company stood at 1.23 times in FY2023. Bank limits utilization of SPUPL stood high at ~94.82 percent over the past twelve months ending August 31, 2023. 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	189.61	167.17
PAT	Rs. Cr.	2.56	3.12
PAT Margin	(%)	1.35	1.86
Total Debt/Tangible Net Worth	Times	1.65	1.69
PBDIT/Interest	Times	2.35	2.11

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

ICRA, vide its press release dated July 13, 2022 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 Entitie: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jun 2022	Term Loan	Long Term	1.29	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	6.40	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	26.50	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.14	ACUITE BB+ Stable (Reaffirmed)
20 Apr 2021	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)
	Cash Credit	Long Term	26.50	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.50	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.27	ACUITE BB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.38	ACUITE BB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.69	ACUITE BB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.84	ACUITE BB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.50	ACUITE BB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.65	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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