

Press Release

Phytochem Remedies India Private Limited

December 28, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.54	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	17.54	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating at '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.17.54 Cr bank facilities of Phytochem Remedies India Private Limited (PRIPL). The outlook is '**Stable**'.

Rationale for reaffirmation

Rating reaffirmation takes into account the vintage of operations, experience of management in the line of business and moderate financial risk profile of the company. However, the rating is constrained by the small scale of operations and working capital intensive nature of operations of the company.

About the Company

Phytochem Remedies India Private Limited (PRIPL) was incorporated in 2002 by Ms. Beena Bohra and Ms. Aditi Bohra in Jammu, with the purpose of venturing into pharmaceutical industry. However, the company did not have any operations till 2014. The company entered into manufacturing of corrugated box in 2012 and commenced operations from 2014. PRIPL supplies corrugated box to the companies located in the state of Jammu. The company is currently managed by Mr. Niranjana Surana and Ms. Aditi Bohra as Directors.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PRIPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced and resourceful management

The company is promoted by Mr. Niranjana Surana (Director) and Ms. Aditi Bohra (Director) and they have a track record of around 9 years in this line of business. Further, the promoters have also been infusing funds in the form of equity and unsecured loan over the years (promoters infused equity to the tune of Rs.1.85 Cr in FY20).

Modest financial risk profile

Company's financial risk profile is moderate marked by low net worth and average debt protection metrics. Tangible net worth in FY 2022 stood at Rs. 5.23 Cr as against Rs. 4.70 Cr in FY 2021. Total debt of Rs. 9.72 Cr in FY 2022 consists of Rs. 5.93 Cr of long term borrowings, Rs. 1.27 Cr of unsecured loans and Rs. 2.53 Cr of working capital borrowings. Consequently, Debt to Equity (Gearing) stood at 1.86 times in FY 2022 as against 0.65 times in FY 2021. Interest Coverage Ratio improved to 6.72 times in FY 2022 as against 4.43 times in FY 2021. TOL/TNW moderated to 3.09 times in FY 2022 as against 1.58 times in FY 2021 while Debt-EBITDA moderated sharply to 9.07 times in FY 2022 as against 3.35 times in FY 2021.

Weaknesses

Small scale of operations

The scale of operations of the company is small as observed from the total revenue in the range of Rs. 8.52- 13.57 Cr during FY20-22 and modest tangible net-worth of Rs.5.23 Cr as on March 31, 2022. Acuite believes with successful completion of the project, the scale of operations of the company is expected to improve over medium term.

Working capital intensive nature of operations

Company's operations are working capital intensive marked by high GCA days of 232 in FY 2022. High GCA days is a result of high inventory and debtor period. Inventory days have moderated from 109 days in FY 2021 to 83 days in FY 2022. The company maintains higher inventory in the form of craft paper, printing paper and adhesive. The maintains 40-50 types of different material as per the requirement of various customers. Debtor realization period has elongated from 61 days in FY 2021 to 96 days in FY 2022. Creditor period remains high at 96 days in FY 2022.

Rating Sensitivities

- Scale of operations.
- Working Capital Management.

Material covenants

None.

Liquidity Position

Adequate

Company has adequate liquidity position. In FY 2022 company generated net cash accruals of Rs. 0.73 Cr against maturing debt obligations of Rs. 0.29 Cr. Company is expected to generate net cash accruals of Rs. 1.12 Cr and Rs. 1.89 Cr in FY 2023 and 2024 respectively against nil debt obligation in FY 2023 and Rs. 0.88 Cr maturing debt obligation in FY 2024. Company has unencumbered cash and bank position of Rs. 0.01 Cr and investments in the form of gold of Rs. 0.02 Cr in FY 2022.

Outlook: Stable

Acuite believes that the company will continue to maintain a 'Stable' outlook over near to medium term owing to its experienced management and stable operations. The outlook may be revised to 'Positive' in case the company achieves higher than expected revenues and profitability, backed by successful commencement of the project. Conversely, the outlook may be revised to 'Negative' in case of a delay in completion of project or any cost overruns resulting in deterioration in the capital structure and liquidity position.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	13.57	9.88
PAT	Rs. Cr.	0.53	0.35
PAT Margin	(%)	3.93	3.54
Total Debt/Tangible Net Worth	Times	1.86	0.65
PBDIT/Interest	Times	6.72	4.43

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.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
29 Sep 2021	Cash Credit	Long Term	1.70	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Long Term	15.84	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 India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB- Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.04	ACUITE BB- Stable Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.00	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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