



Press Release
Phytochem Remedies India Private Limited
January 31, 2024

Rating Downgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|-----------------------|-------------------|
| Bank Loan Ratings | 4.54 | ACUITE C Downgraded | - |
| Bank Loan Ratings | 13.00 | ACUITE D Downgraded | - |
| Total Outstanding Quantum (Rs. Cr) | 17.54 | - | - |

Rating Rationale

Acuite has downgraded its long term rating to **'ACUITE D' (read as ACUITE D)** from **'ACUITE BB-' (read as ACUITE Double B Minus)** on the Rs. 13.00 Crore bank facility and downgraded to **'ACUITE C' (read as ACUITE C)** from **'ACUITE BB-' (read as ACUITE Double B Minus)** on the Rs. 4.54 Crore bank facility of Phytochem Remedies India Private Limited (PRIPL).

Rationale for Downgrade

Rating downgrade factors in the feedback received from banker confirming delay in repayments of term loan.

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.

Unsupported Rating

None

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).

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.

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.

Rating Sensitivities

Not Applicable

Liquidity Position

Poor

Company has poor 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 failed to meet timely its debt obligations as per feedback received from lenders.

Outlook: Not Applicable

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)

Not applicable

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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 |
|-------------|----------------------------------|-----------|-----------------|----------------------------------|
| 28 Dec 2022 | Cash Credit | Long Term | 2.00 | ACUITE BB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 13.00 | ACUITE BB- Stable (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 0.04 | ACUITE BB- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 2.50 | ACUITE BB- Stable (Reaffirmed) |
| 29 Sep 2021 | Cash Credit | Long Term | 1.70 | ACUITE BB- Stable (Assigned) |
| | Proposed Long Term 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 avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 2.00 | ACUITE C Downgraded |
| Punjab and Sind Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 2.50 | ACUITE C Downgraded |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 0.04 | ACUITE C Downgraded |
| Bank of India | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 13.00 | ACUITE D Downgraded |

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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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