



Press Release
SNEHA MEDICA RE PRIV ATE LIMITED
August 28, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	7.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	24.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs 24 Cr bank facilities of Sneha Medicare Private Limited (SMPL). The outlook remains '**Stable**'.

Rationale for Rating

The rating assigned takes into account the established track record of operations of almost two decades along with experienced management. Further, the rating factors in the sustained growth in scale of operations over the three years ending FY22. The operating income of the company stood at Rs.329.94 crore in FY22 as against 221.96 crore in FY21 and Rs. 192.11 crore in FY20. Further, revenue recorded till February 2023 is Rs 345.88 Cr. Further, the rating factors in the healthy financial risk profile of the company as being the trading business there is no dependence on long term bank finance. However, the above mentioned strengths are constrained by working capital intensive nature of operations and highly competitive nature of industry restricting the profit margins.

About the Company

Sneha Medicare Private Limited, Incorporated in 2002, is engaged in the business of trading of active pharmaceutical intermediates (APIs), pharmaceutical formulations. Sneha Medicare Private Limited has registered office in Mumbai. The current Directors of the firm are Mr. Kirti Shah and Mr. Pratik Shah.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record and experienced management

Sneha Medicare Private Limited, Incorporated in 2002, is engaged in the business of trading of active pharmaceutical intermediates (APIs), pharmaceutical formulations. Thus, the company has an established track record of more than two decades in this line of business. The promoters of the company also have a good experience. The established track record and experience of management is also reflected through Y-o-Y growth in revenue, Operating Income for the FY22 stood at Rs.329.94 crore as against Rs.221.96 crore for FY21 backed by

increased demand. The company has achieved a YTD sales for the period Apr – Feb 2023 of Rs 345.93 crore and is expecting to achieve a revenue of Rs 375 Cr for FY23. Further, EBITDA

Margin for the FY22 stood at 3.23% as against 2.60% in FY21. The Profit after tax margins (PAT) stood at 2.13% in FY22 from 1.59% in FY21. The sale constitutes of 97.5% from domestic sales and remaining 2.5% from exports.

Acuite believes that SMPL will continue to benefit from its established track record of operations and extensive experience of promoters.

Healthy financial risk profile

The financial risk profile of the company remained healthy marked by moderate net worth, strong debt protection metrics and moderate gearing ratio. The net worth of SMPL stood at Rs.23.68 Cr as on FY22 as against Rs. 16.66 Cr as on FY21. The increase in net worth is majorly due to accretion of profits to the reserves. The company follows a conservative financial policy which is reflected through its gearing level (debt-equity) stood low at 0.85 times as on FY22 as against 0.91 times as on FY21. However, Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 4.77 times in FY22 as against 4.82 times in FY21. The higher TOL/TNW are majorly due to higher creditors. The company does not have any long term loans. The coverage indicators stood strong marked by Interest Coverage Ratio (ICR) stood at 8.76 times for FY22 as against 5.92 times for FY21. Debt service coverage ratio (DSCR) stood at 6.71 times in FY22 as compared with 4.58 times in FY21.

Acuite believes that financial risk profile of company may continue to remain healthy over the medium term with no major debt-funded capex plans.

Weaknesses

Working capital intensive operation

The Sneha Medicare Pvt Ltd have working capital intensive nature of operations marked by GCA Days of 150 days in the FY22 as against 155 days in FY21. The GCA days are majorly constitute of receivable days. The receivables days stood at 129 days in FY22 as compared with 133 days as on FY21. The receivables are on higher side and will continue to remain the same as customers are generally allowed a credit period of 120 days. The inventory holding days stood at 18 days in FY22 as compared with 12 days in FY21. The creditor days of the company stood at 106 days in FY22 as against 95 days in FY21. However, the average utilization for fund based working capital limits is 43% for 6 months ended February 2023. Acuite believes that working capital operations of the SMPL may continue to remain intensive considering the nature of business.

Highly competitive and fragmented industry

The Pharmaceutical industry is highly competitive and fragmented with several players in the market. The intense competition and low value addition in the pharma industry have resulted in low operating margins.

Rating Sensitivities

Improvement in revenue and profitability going forward.

Elongation in working capital cycle resulting in adequate liquidity

All Covenants

None

Liquidity Position

Adequate

Liquidity of SMPL is adequate as the cash accruals generated are Rs. 7.03 Crs in FY22 against no debt obligation to pay off. The company doesn't have any long term bank finance availed from bank. Further, the company does not have any future debt-funded capex plan. The current ratio stood at 1.27 times in FY22. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.35 times in FY22 as against 0.23 times in FY21. The average bank limit utilization for fund based limits is 43% for 6 month ended February 2023.

Acuite believes that liquidity may continue to remain adequate in near term with increase in operations and no major debt-funded capex plans.

Outlook: Stable

Acuite believes that SMPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, healthy financial risk

profile and revenue visibility due to increase in demand. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower than anticipated cash accruals, further elongation in working capital cycle leading to stretch in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	329.94	221.96
PAT	Rs. Cr.	7.03	3.52
PAT Margin	(%)	2.13	1.59
Total Debt/Tangible Net Worth	Times	0.85	0.91
PBDIT/Interest	Times	8.76	5.92

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>
- Trading Entitle: <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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3+ Assigned
Abhyudaya Cooperative Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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