

Press Release

LAKSHANYA VENTURES PRIVATE LIMITED (ERSTWHILE - ENCARTA PHARMA P LIMITED)

April 04, 2024



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.25	ACUITE B+ Stable Upgraded	-
Bank Loan Ratings	12.50	-	ACUITE A4 Upgraded
Total Outstanding Quantum (Rs. Cr)	77.75	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE B+ (read as ACUITE B plus)**' from '**ACUITE C (read as Acuite C)**' and '**ACUITE D (read as ACUITE D)**' and upgraded its short-term rating to '**ACUITE A4 (read as Acuite A four)**' from '**ACUITE D (read as ACUITE D)**' on the Rs.77.75 crore bank facilities of Lakshanya Ventures Private Limited (Erstwhile Encarta Pharma Private Limited) (LVPL). The outlook is '**Stable**'.

Rationale for rating upgrade

The rating is upgraded basis timely repayment of debt obligations by the company over the last three months. The rating is constrained due to the declined scale of operations and stretched working capital cycle in 11MFY2024. The company's operating income stood at Rs. 269.02 Cr. in FY2023 as against Rs. 413.27 Cr. in FY2022 and Rs. 213.29 Cr. in FY2021. In 11MFY2024, revenue stood at Rs.79.43 Cr. In FY24 due to elections and formation of new government in Karnataka, issue of tenders and orders were delayed from government entities. LVPL only caters to government hospitals and medical colleges and receives orders vide government tendering process. In terms of profitability, the company has reported an improving trend till FY2023, as it recorded operating margin of 11.48 percent in FY2023 as against 10.13 percent in FY2022 and 6.12 percent in FY2021. In 11MFY2024, the margin stood at 12.24 percent. However, the elongated working capital cycle and consequent high reliance on working capital borrowings impinge a negative bias to the rating. The gross current asset days are primarily driven by debtor days which stood at 146 days in FY2023 as against 117 days in FY2022. The debtor days stood at >365 days in 11MFY2024. Going forward, the company's ability to scale up its operations while maintaining its working capital cycle and capital structure will remain a key rating monitorable.

About the Company

Lakshanya Ventures Private Limited (LVPL), a Bangalore-based company was incorporated in 2001. Founded by Mr. Keerthan P, Mr. Ganesh R. Nayak and Mr. Girish M, the company is engaged in primarily four segments - Cardiac & Endovascular Implants, ICU & OT Equipment's, Setting up of Medical Gas Pipeline and Construction of Modular Operation Theatres. The present directors of the company are Mr. Ganesh R. Nayak, Mr. Girish Maheswarappa, Mr. Sharath S. Shetty and Mr. Pichamutal K. Premsagar.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of LVPL to arrive at the rating

Key Rating Drivers

Strengths

Experienced management and diversified product portfolio

LVPL promoters possess over two decades of experience in the medical equipment trading business. The company benefits from established relationships with Hospital and Medical equipment OEMs. The product portfolio contains Cardiac & Endovascular Implants, ICU & OT Equipment's, Setting up of Medical Gas Pipeline and Construction of Modular Operation Theatres. Acuite believes that the market potential, healthy and reputed client base and diversified product portfolio of LVPL are expected to support in improvement of business risk profile over the medium term.

Moderate financial risk profile

The company has a moderate financial risk profile marked by comfortable gearing, debt protection metrics and moderate net worth. The company recorded gearing of 0.85 times as on March 31, 2023 as against 0.47 times as on March 31, 2022. The net worth which stood at Rs. 59.76 Cr. as on March 31, 2022 rose to Rs.78.92 Cr. as on March 31, 2023 on primarily account of accrual of profits to reserves. The total debt stood at Rs.67.47 Cr as on March 31, 2023 as against Rs. 28.29 Cr. as on March 31, 2022. The total debt rose primarily on account of term loan of Rs. 36.25 Cr. to purchase an office. The interest coverage ratio stood at 5.13 times in FY2023 as against 11.46 times in FY2022. The Debt to EBITDA ratio stood at 2.08 times in FY2023 as against 0.67 times in FY2022. Acuite believes the financial risk profile of the company will continue to remain moderate in the absence of any major debt funded capex plan.

Weaknesses

Declining scale of operations

The company's operating income stood at Rs. 269.02 Cr. in FY2023 as against Rs. 413.27 Cr. in FY2022 and Rs. 213.29 Cr. in FY2021. In 11MFY2024, revenue stood at Rs.79.43 Cr. In FY24 due to elections and formation of new government in Karnataka, issue of tenders and orders were delayed from government entities. LVPL only caters to government hospitals and medical colleges and receives orders vide government tendering process. In terms of profitability, the company has reported an improving trend till FY2023, as it recorded operating margin of 11.48 percent in FY2023 as against 10.13 percent in FY2022 and 6.12 percent in FY2021. In 11MFY2024, the margin stood at 12.24 percent. The margins are improving primarily due to increasing focus of the company on higher value adding segments i.e. construction of modular operation theatres (OT) and medical equipment. Acuite believes the company's ability to improve its scale of operations in the near to medium term while maintaining its profitability margins will remain a key rating monitorable.

Elongated working capital cycle:

The company has an elongated working capital cycle marked by gross current asset days of 156 days in FY2023 as against 136 days in FY2022. The gross current asset days are primarily driven by debtor days which stood at 146 days in FY2023 as against 117 days in FY2022. The clientele of the company includes only government entities and due to procedural aspects, the debtor days tend to get elongated. The debtor days stood at >365 days in 11MFY2024. It is primarily due to a delay in receipt of a bill amount of Rs. 78 Cr. The bill is pending since FY2022 and was delayed as the PO from the government entity was issued without following proper procedure during Covid emergency. A part of this bill (Rs. 36 Cr.) is received in beginning of March, 2024 and balance is expected to be received by month end. This is expected to bring down the total debtor days in the near to medium term. The average six month bank limit utilization stood at 99.89 percent for fund based facilities and 84.50 percent of non-fund based facilities for the period ended January, 2024. The company ability to restrict further elongation of working capital cycle will remain a key rating monitorable.

Rating Sensitivities

Improvement in scale of operation while maintaining its profitability and capital structure
Further elongation of working capital cycle

Liquidity Position

Stretched

The liquidity position is stretched marked by elongated receivable collection period and significant reliance on working capital borrowings. The company is expected to earn cash accruals in the range of Rs. 5-25 Cr. in the period FY24-25 against repayment obligations of Rs. 3.65 Cr. However, the gross current asset days which stand at 156 days in FY2023 driven by debtor days which stood at 146 days have elongated further in FY2024. The average six month bank limit utilization stood at 99.89 percent for fund based facilities and 84.50 percent of non-fund based facilities for the period ended January, 2024.

Outlook: Stable

Acuite believes that the outlook on LVPL will remain 'Stable' over the medium term on the back of experience of management, diversified portfolio and moderate financial risk profile. The outlook maybe revised to 'Positive' in case of sustainable improvement in operating income and reduction in working capital cycle. Conversely, the outlook maybe revised to 'Negative' in case of any further stretch in its working capital cycle or less than expected improvement in scale of operations and profitability margins.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	269.02	413.27
PAT	Rs. Cr.	18.92	28.42
PAT Margin	(%)	7.03	6.88
Total Debt/Tangible Net Worth	Times	0.85	0.47
PBDIT/Interest	Times	5.13	11.46

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 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
21 Sep 2023	Bank Guarantee (BLR)	Short Term	7.75	ACUITE D (Downgraded from ACUITE A4)
	Letter of Credit	Short Term	4.75	ACUITE D (Downgraded from ACUITE A4)
	Cash Credit	Long Term	20.00	ACUITE D Not Applicable (Downgraded from ACUITE B+ Not Applicable)
	Term Loan	Long Term	36.50	ACUITE D Not Applicable (Assigned)
	Stand By Line of Credit	Long Term	3.00	ACUITE D Not Applicable (Assigned)
	Term Loan	Long Term	2.85	ACUITE D Not Applicable (Downgraded from ACUITE B+ Not Applicable)
	Working Capital Term Loan	Long Term	1.71	ACUITE D Not Applicable (Downgraded from ACUITE B+ Not Applicable)
	Term Loan	Long Term	0.63	ACUITE D Not Applicable (Downgraded from ACUITE B+ Not Applicable)
	Proposed Long Term Loan	Long Term	0.06	ACUITE C Not Applicable (Downgraded from ACUITE B+ Not Applicable)
	Proposed Long Term Loan	Long Term	0.50	ACUITE C Not Applicable (Assigned)
09 Aug 2023	Cash Credit	Long Term	20.00	ACUITE B+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	7.75	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	4.75	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	5.25	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
12 May 2022	Bank Guarantee/Letter of Guarantee	Short Term	7.75	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	4.75	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	5.25	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	20.00	ACUITE B+ Not Applicable (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.75	ACUITE A4 Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE B+ Stable Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.75	ACUITE A4 Upgraded (from ACUITE D)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.56	ACUITE B+ Stable Upgraded (from ACUITE C)
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE B+ Stable Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Term Loan	14 Dec 2021	Not avl. / Not appl.	14 Dec 2026	Simple	2.85	ACUITE B+ Stable Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Term Loan	29 Oct 2022	Not avl. / Not appl.	29 Oct 2032	Simple	36.50	ACUITE B+ Stable Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Term Loan	31 Jul 2021	Not avl. / Not appl.	31 Jul 2026	Simple	0.63	ACUITE B+ Stable Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	14 Dec 2021	Not avl. / Not appl.	14 Dec 2026	Simple	1.71	ACUITE B+ Stable Upgraded (from ACUITE D)

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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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