Press Release

Inventaa Industries Private Limited

June 03, 2021

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	94.50	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	15.50	IVR A3+ (IVR A Three Plus)	Assigned
	Total	**110.00**	**(INR One Hundred and Ten Crore Only)**	

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the above bank facilities of Inventaa Industries Private Limited (IIPL) derives strength from extensive experience of its promoters in the pharmaceutical industry, diversified revenue profile, reputed clientele and comfortable financial risk profile marked by satisfactory gearing with healthy debt protection metrics. However, these rating strengths remain constrained by its modest scale of operations, vulnerability to change in government/regulatory guidelines, exposure to Intense competition coupled with product concentration and working capital intensive nature of its operations.

Key Rating Sensitivities

Upward Factors:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Improvement in the debt protection metrics
- Improvement in working capital management with improvement in operating cycle.

Downward Factors:

- Dip in operating income or profitability impacting the debt coverage indicators.
- Moderation in the capital structure with moderation in overall gearing to more than 1 times.
- Further elongation in operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced promoter

Having more than two decades of experience in the bulk drugs and drug intermediates manufacturing business, Mr Satyanarayana Cherkuri is the Chairman & Managing Director of IIPL. Further, he is a qualified Chemical Engineer and have established strong relationships with various counterparties including suppliers and customers over the long tenure of operations in this field.

Diversified revenue profile

The company has diversified revenue profile however the pharma division remained the key revenue contributor in FY20 with ~43% revenue, followed by manufacturing of building products division with ~40% and mushroom farming division with ~17% in FY20.

Reputed clientele

Company has established strong relationships with various reputed clientele over the long tenure of operations in this field.

Comfortable financial risk profile marked by satisfactory gearing with healthy debt protection metrics

The financial risk profile of IIPLL is marked by its healthy net worth base, comfortable gearing and healthy debt protection metrics. The net worth stood healthy at of Rs.246.63 crore as on March 31, 2020 as against Rs.233.52 crore in the previous year. With a strong net worth base, the leverage ratios remained comfortable over the past three account closing dates marked by the overall gearing ratio at 0.34x as on March 31,2020. Further, the total indebtedness of the company also remained comfortable at 0.57x (0.74x as on March 31,2019). The debt protection metrics of the company also remained strong as reflected by DSCR of 7.75 in FY 2020 vis a vis 7.86 in FY2019. Further interest coverage ratio stood at 7.79 times in FY 2020 vis a vis 8.19 times in FY2019. Going forward, Infomerics believes the financial risk profile to remain healthy as IIPL has lower reliance on external debt will maintain a conservative capital structure.

Key Rating Weakness:

Modest scale of operation

The scale of operations of the company remained modest over the years despite its long track record of operations. The total operating income of the company stood at ~Rs.135.20 crore in FY20 which is relatively small comparing to companies in bulk drugs manufacturing. Small scale of operations restricts the financial risk profile of the company to an extent. Infomerics expects that the scale of operations of the company will continue to remain modest in the near term. In 11MFY21 the company has achieved a revenue of ~Rs.117 crore.

Vulnerability to change in government/regulatory guidelines

The pharmaceutical industry is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the Company. Company needs to be constantly updated with the changing guidelines. Timely product and facility approval/renewal remains critical for the growth of sales going forward.

Exposure to intense competition and product concentration

The bulk drugs and drug intermediates manufacturing business are characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including IIPL. Further, most of the revenue in the bulk drugs segment is derived from two-three products, resulting in high product concentration risk.

Working capital intensive nature of operations

The operating cycle of the company remained elongated over the past years mainly due to the nature of business which requires the company to maintain a high level of raw material inventory to ensure uninterrupted production. Moreover, the collection period of the company in the building product segment also remained elongated due to change in political scenario in Andhra Pradesh which is expected to improve in the coming period. Further, nationwide lock down from March 22,2020 lead to delay in collection in March end and also fuelled pilling up of inventory which resulted in elongation in operating cycle from 108 days in FY19 to 168 days in FY20. Furthermore, Avg. utilization of bank borrowings was at ~83% during the last 12 months period ended December, 2020.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity Position: Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and absence of any significant term debt repayment. The net cash accruals of the company stood at around Rs.25.06 Crore as against loan obligations of Rs.9.23 crore(approx.) in FY20. Further, the company has projected to earn a cash accrual in the range of Rs.27-35 crore as against its debt repayment obligations in the range of ~Rs.11-27 crore during FY21-23. Moreover, the Overall gearing ratio was comfortable at 0.34x as on March 31, 2020 (A) indicating a sufficient gearing headroom and the average CC utilisation for the past twelve months ended December, 2020 remained moderate at ~83% indicating a sufficient cushion.

About the Company

M/s Inventaa Chemicals Limited was incorporated in 1979 as a Private Limited Company. It was converted into a deemed Public Limited Company with effect from 06-07-1990. The Company is closely held and is headed by Mr. C. Satyanarayana, Managing Director and his relatives and friends. The Company is converted into Private Ltd company and name is changed to Inventaa Industries Private Limited (IIPL) w.e.f 07/07/2017 onwards. Hyderabad-based IIPL manufactures bulk drugs and drug intermediates. It is also engaged in plantation, processing, and sale of mushrooms. The company commenced commercial operations of building products on March 23, 2018. The manufacturing facilities of the company are located in Keesara, Vijayawada, & Patancheru, Telangana. The company also exports bulk drugs to countries like Germany, Denmark, Poland, USA, Egypt etc and derive ~35% of revenue from exports in FY20.

Financials (Standalone) **(Rs. crore)**

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	173.41	142.16
EBITDA	47.09	22.16
PAT	29.13	13.11
Total Debt	115.50	82.69
Tangible Net worth	233.52	246.63
EBITDA Margin (%)	28.24	16.39
PAT Margin (%)	16.80	9.22
Overall Gearing Ratio (x)	0.49	0.34

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	63.50	IVR BBB/ Stable	-	-	-
2.	Cash Credit	Long Term	21.00	IVR BBB/ Stable	-	-	-
3.	EPC/PCFC	Long Term	10.00	IVR BBB/ Stable	-	-	-
4.	Bank Guarantee	Short Term	9.50	IVR A3+	-	-	-
5.	Letter of Credit	Short Term	6.00	IVR A3+	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Abhishek Nayak Tel: (033) 46022266 Email: abhihsek.nayak@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loans	-	-	September 2025	63.50	IVR BBB/ Stable
Cash Credit	-	-	-	21.00	IVR BBB/ Stable
EPC/PCFC				10.00	IVR BBB/ Stable
Non-Fund Based Bank Guarantee	-	-	-	9.50	IVR A3+
Letter of Credit	-	-	-	6.00	IVR A3+
Total				**110.00**	

Annexure 2: Facility wise lender details (Hyperlink to be added)

Press Release

https://www.infomerics.com/admin/prfiles/Lender-Inventaa-Industries-Pvt-Ltd-03-Jun-21-.pdf