



## Press Release

### Lyrus Life Sciences Private Limited

July 06, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Term Loans	6.16	IVR B+/ Stable (IVR Single B Plus with Stable Outlook)	Assigned	Simple
Short Term Fund Based Bank Facilities – PCFC	28.00	IVR A4 (IVR A Four)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	2.00	IVR A4 (IVR A Four)	Assigned	Simple
Short Term Bank Facilities – Proposed	23.84	IVR A4 (IVR A Four)	Assigned	Simple
<b>Total</b>	<b>60.00</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Lyrus Life Sciences Private Limited derive comfort from experienced and resourceful promoters & profitable trading operations of the company. However, these rating strengths remain constrained by small scale of operations, absence of hedging mechanism, working capital intensive nature of operations, vulnerability to change in government/regulatory policies and customer concentration risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial & sustained improvement in the company's revenue and/or profitability while maintaining the debt protection parameters.

##### Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

#### List of Key Rating Drivers with Detailed Description



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### **Key Rating Strengths**

#### **Experienced and resourceful promoters**

Lyrus is promoted by Mr. Hemanth Kumar Bothra and Mrs. Leela Kanwar, and Mr. Bothra is associated with the Company in the Capacity of Chairman and has more than 40 years of experience in the pharmaceutical industry. Prior to incorporation of Lyrus, Mr. Bothra was associated with Medrich Ltd, a fully integrated pharmaceutical company having an established presence across the globe. During the year 2015, Mr. Bothra received more than Rs.250 Cr from sales of his share when Medrich was acquired by another entity. Mr. Bothra has been investing the same into various entities through the partnership firm Nokha Trading LLP (holding company of Lyrus) and has been funding the losses of Lyrus.

#### **Profitable trading operations of the company**

Company exports majority of its traded products to Australia and UK and historically, the trading operations have been profitable. Lyrus has made strategic investments in its associates/subsidiaries in Australia and UK through which it sells its pharmaceutical products to the end users. Apart from trading, company also provides contract R & D works services which include developing of products, analytical methods and its validations, compiling of product dossiers, replying to regulatory queries etc.

### **Key Rating Weaknesses**

#### **Small scale of operations**

Company's scale of operations has been small with operating income of Rs.67.71Cr in FY23(Prov) though improved from Rs.53.51 Cr in FY20 due to scaling up of trading business in the past 3 years. However, with majority of the revenues coming from Paracetamol related products, product concentration risk persists. Also, historically, Lyrus has been incurring losses of Rs.6.3 Cr – Rs.4.49 Cr per annum on account of high R & D expenditure being incurred for developing its own products.



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### **Absence of hedging mechanism**

Company earns majority of its revenues from exports. However, it doesn't have a hedging mechanism against currency fluctuations exposing the company to forex risks. Company have Rs 30 crore as unhedged Foreign Exposure as on March 31<sup>st</sup>, 2023 and does not have hedging policy and keeps the export leg open and books the same at spot rate. As such, in the past 4 years, company earned gains on its forex transactions.

### **Working capital intensive nature of operations**

Gross current asset days of the company have been more than 250 days in the past 4 years (FY23 Prov 424.61 days) owing to high receivable position of the company. Along with the receivables, there are unbilled receivables as the company bills its R & D related services on milestone basis to its customers, leading to high gross current asset days. As such, operating cycle of the company stood at 70 days in FY23 (Prov) owing to almost similar credit period being received by the company from its customers to that of the collection period.

### **Vulnerability to Change in Government/Regulatory Policies**

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, in various regulated/ semi-regulated markets, remains critical for the growth of exports going forward.

### **Customer-concentration risk**

The customer concentration risk is high with top four customers accounting for ~85% of the total sales in FY23(Prov). Also, the single largest customer (Noumed Group) accounted for ~68% of sales in FY23(Prov). However, the reputed and established customer profile mitigates the counterparty credit risk to a significant extent.

**Analytical Approach:** Standalone Approach

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Rating Outlook](#)

[Policy on Default recognition](#)



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### **Liquidity – Poor**

The company has poor liquidity marked by less cash accruals of Rs. 0.64 crore in FY23(Prov) as against debt obligations of around Rs.3.53 Crore in FY23(Prov). Also, company is into continuous losses on account of high R&D expenses and is dependent on its parent company Nokha Trading LLP/promoters to fund its losses and debt repayments. The fund-based bank limit is around 98% utilized by the company during the last twelve months ended May 2023, whereas the non-fund-based is fully utilized. The current ratio of the company also stood at 0.96x as on FY23(Prov).

### **About the Company**

Incorporated in June 2015, Lyrus Life Sciences Private Ltd (Lyrus) is promoted by Mr Bothra and his family members and is engaged in contract research and development works at its R&D unit in Hoskote, Karnataka, along with trading of pharmaceutical products. The products include tablets, capsules, soft gels, topicals, such as ointments, sachets, liquid orals, sprays, injectables, etc. Lyrus exports its traded products majorly to Australia and United Kingdom (UK). Under contract R&D division, Lyrus provides services including developing of products, analytical methods and its validations, compiling of product dossiers, replying to regulatory queries, etc., and has over 65 scientists spread across several teams, such as ideation team, formulation development team, analytical development team, regulatory team, etc.

### **Financials (Standalone):**

For the year ended* As on	INR in Crore		
	31-03-2021	31-03-2022	31-03-2023
	Audited	Audited	Provisional
Total Operating Income	76.72	76.17	67.71
EBITDA	-1.05	3.02	2.24
PAT	-6.32	-5.79	-4.49
Total Debt	75.53	91.20	104.52
Adjusted Tangible Net Worth	75.16	63.48	70.66
EBITDA Margin (%)	-1.37	3.96	3.31
PAT Margin (%)	-7.91	-7.31	-6.17
Overall Gearing Ratio (x)	0.88	1.25	1.16



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\* Classification as per Infomerics' standards

### Status of non-cooperation with previous CRA:

Brickworks ratings has classified the company under Issuer Not Cooperating in their press release dated September 28<sup>th</sup>, 2022.

**Any other information:** Not Applicable

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Bank Facilities – Term Loans	Long Term	6.16	IVR B+/ Stable	-	-	-
2.	Short Term Fund Based Bank Facilities – PCFC	Short Term	28.00	IVR A4	-	-	-
3.	Short Term Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	2.00	IVR A4	-	-	-
4.	Short Term Bank Facilities – Proposed	Short Term	23.84	IVR A4	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loans	-	-	FY26	6.16	IVR B+/ Stable
Short Term Fund Based Bank Facilities – PCFC	-	-	-	28.00	IVR A4
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	-	-	-	2.00	IVR A4
Short Term Bank Facilities – Proposed	-	-	-	23.84	IVR A4

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-LLSPL-jul23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**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](http://www.infomerics.com).