

Press Release

Nayati Pharma Private Limited

April 17, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long Term Fund Based Limits- Cash Credit	10.00 (Including proposed limit of Rs. 3.70 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
	Total	10.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experienced management, locational advantage and support from NHPL. The rating however is constrained by short track record of operations, moderate profitability margins, high overall gearing, working capital intensive nature of operations and concentration risk. Growth in scale of operations, profitability and capital structure are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

Experienced management

NPPL's management rests in the hands of Ms.Karuna Menon and Mr. Satish Kumar Narula. Ms.Karuna Menon has over 30 years of experience spanning diverse sectors. Mr S.K. Narula, a former Chairman of the Airports Authority of India and a former Executive Director in Power Grid Corporation of India has an administrative experience of over 40 years in the field of Power, Infrastructure and Aviation sectors.

Locational Advantage

The company and its group entity, NHPL have set base in Mathura, which is an economically backward region and lacks healthcare amenities. As discussed with the management, NHPL's

hospital is a one-off state-of-the-art facility in the entire western Uttar Pradesh, indicating potential business growth for the entity.

Support from NHPL

NPPL sells its products to NHPL, its associated entity, which owns a multi-speciality hospital in Mathura along with a feeder facility located in Agra, thereby ensuring a steady stream of revenue for the company.

Key Rating Weakness

Short track record of Operations

NPPL effectively commissioned operations from February 2016. Thus the track record is very short. In FY18, the company generated a topline of Rs.34.71 crore. Also, operational performance of its group entity and client, NHPL, needs to be observed over a period of time.

Moderate profitability margins

The company is a pure trading entity dealing majorly in pharma and other allied products. It procures the materials from the primary producers and sell them to their customers (in this case NHPL). During FY18, the company achieved an EBITDA margin of 4.72% and PAT margin of 2.11%.

High Overall Gearing

Although overall gearing improved to 2.59x as on March 31, 2018 from 2.90x as on March 31, 2017, NPPL continues to have a leveraged capital structure.

Working Capital Intensive Nature of Operation

The operations of the entity are working capital intensive leading to almost full utilisation of CC limits.

Concentration Risk

At present, the company sources most of its material requirement from a particular supplier, and sells its products solely to its associated entity, NHPL, thereby exposing the company to concentration risk.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity

NPPL is expected to generate sufficient cash accruals over the medium term as against their small repayment obligations duly reflected in their comfortable ICR and DSCR. However, the company's working capital bank limits remained highly utilized at an average of around 95 per cent due to spurt in sales in FY19 without corresponding increase in limits. Limit utilisation is expected to improve with better recovery of receivables.

About the Company

Incorporated in 2016, Nayati Pharma Pvt Ltd (NPPL) is associated with the Nayati Healthcare Group. The company is engaged in trading of pharmaceutical related products like antibiotics, drugs, medicines, surgical instruments, cosmetics, hospital requisites and other allied products. The entity was incorporated mainly with a view to cater to the needs of its associated entity Nayati Healthcare Pvt. Ltd (NHPL) and other hospitals situated in the vicinity with insignificant walk-in and over the counter sale is expected to be the secondary source of income for the company. Currently, NHPL is the only customer of NPPL. NHPL has completed construction of a 351 bedded hospital at Mathura.

Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	20.02	34.71
EBITDA	0.76	1.64
PAT	0.12	0.73
Total Debt	4.75	6.15
Tangible Networth	1.64	2.37
EBITDA Margin (%)	3.80	4.72
PAT Margin (%)	0.62	2.11
Overall Gearing Ratio (x)	2.90	2.59

* Classification as per Infomerics' standards

Infomerics Valuation And Rating Pvt. Ltd.



Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Facilities	Long Term	10.00 (Including proposed limit of Rs. 3.70 crore)	IVR BBB- /Stable Outlook	IVR BBB- /Stable Outlook (February 9, 2018)	--	--

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.

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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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Limits:- Cash Credit (Including proposed limit of Rs. 3.70 crore)	--	--	--	10.00	IVR BBB- /Stable Outlook