



RATING RATIONALE

22 Nov 2019

Vannsh Life Sciences Pvt. Ltd.

Brickwork Ratings reaffirms the long term rating and assigns the short term ratings for the Bank Loan Facilities of ₹ 21.76 Crores of Vannsh Life Sciences Pvt. Ltd..

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2018)	Present
Fund based	14.50	20.76	Long Term	BWR B+/Stable	BWR B+/Stable (Reaffirm)
Non Fund Based	-	1.00	Short Term	-	BWR A4 (Assign)
Total	14.50	21.76	INR Twenty One Crores and Seventy Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the long-term rating to BWR B+ (Stable) and assigns the short term rating of BWR A4 to the bank loan facilities of Rs.21.76 Crs of Vannsh Life Sciences Private Limited.

The reaffirmation of the rating has factored in the company's stability in their financial performance over a period of time. The rating draws strength from the experienced promoter, comfortable liquidity position and locational advantage. The rating, however, is constrained by limited track record and modest scale of operations, low profitability, high gearing, low debt coverage indicators, working capital intensive nature of operations, presence in a highly regulated and competitive industry.

The ratings have been continued with stable outlook as the business risk profile of the company is stable and the growth in the business and profitability is expected to be maintained in the medium term.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, publicly available information and information/clarification provided by the management.

Credit Strengths:

- VLSPL's promoter Mr. S. Venkateshwar Reddy is a Postgraduate in Industrial Pharmacy from St. John's University, USA. He has worked in G&W Laboratories, USA as a R&D manager for more



than two decades. The experience of the promoter is expected to support the business risk profile of the company.

- The current ratio of the company as per FY19 (Audited) stands at 1.66 times, which indicates that the company has enough short term assets to meet its short term liabilities.
- Locational advantage of the unit in terms of close proximity to pharmaceutical cluster

Credit Risks:

- Limited track record and small scale of operations: Commercial operations commenced in December 2018. The Company's scale of operations stood modest as marked by a total operating income of Rs 0.60 Crs in FY19. The modest scale of operations limits the company's financial flexibility in times of stress and deprives it of scale benefits.
- Profitability margins are negative with operating profit margin and net profit margin in FY19 due to intensely competitive nature of business and research & development based focus in initial year increasing the fixed cost in initial years.
- High gearing ratio, driven by Total Debt /Networth is at 2.67 times in FY19 with low debt coverage ratio at 0.34 times in FY19
- The pharmaceutical industry is highly regulated and requires various approvals, licenses, registrations and permissions for business activities. Each authority has its own requirement and their could be delay or refusal to grant approval. The approval process for a new product registration is complex, lengthy and expensive and the time taken to obtain approval varies by country, which increases the fixed cost.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of **Vannsh Life Sciences Private Limited** BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward, the ability of the company to improve its scale of operations by improving its revenue and profitability margins, improvement in overall credit profile, efficiently manage industry risk and timely payment of debt obligations would remain the key rating sensitivities.

Positive: Increase in the scale of operations with overall improvement in financial risk profile of the company marked by improved leverage and coverage ratios and better liquidity management will be positive for the ratings.

Negative: Limited growth in scale of operations with further deterioration in profitability and debt protection metrics with further stress on liquidity and promoters inability to infuse funds will be negative for the ratings.

LIQUIDITY POSITION

The company has comfortable liquidity profile, driven by current ratio of 1.66 times in FY19. Average CC utilization from the past 6 months as per banker stands at 100%.

COMPANY PROFILE

Established as a partnership firm in 2009 and later reconstituted as private limited company in July 2014, VLSPL is a Hyderabad, Telangana based company. It is promoted by Mr. Venkateshwar Reddy and Mrs. S. Sreedevi for manufacturing of bulk drugs and Active pharmaceutical intermediaries (API) which find applications in Cancer treatment drugs. The Company has set up a manufacturing plant spread over 5.5 acres of land in Jawaharlal Nehru Pharma City, Visakhapatnam and commercial operations of the company started in December 2018.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
		Audited	Audited
Net Sales	Rs In Crores	0.00	0.60
EBITDA	Rs In Crores	(0.03)	(0.06)
PAT	Rs In Crores	0.01	(1.56)
Tangible Net-worth	Rs In Crores	12.05	10.49
Total Debt/Tangible Net-worth	In Times	1.32	2.67
Current Ratio	In Times	1.90	1.66

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA
NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	1.7.2019	28.3.2018	2017
Fund Based	Long Term	20.76	BWR B+/ Stable (Reaffirm)	Rating Not Reviewed	BWR B+/ Stable	-
Non Fund Based	Short Term	1.00	BWR A4 (Assign)	-		
Total		21.76	INR Twenty One Crores and Seventy Six Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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Vannsh Life Sciences Private Limited ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Syndicate Bank	SOD	3.00	-	3.00
2		Proposed additional SOD	2.00	-	2.00
3		Term Loan - 1	11.50	-	11.50
4		Term Loan -2	2.26	-	2.26
5		Proposed New Term Loan	2.00	-	2.00
6		Proposed ILC/FLC	-	1.00	1.00
TOTAL					21.76

Total Rupees Twenty One Crores and Seventy Six Lakhs only.



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