

January 05, 2024

Premium Serums & Vaccines Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based Limit	5.00	5.00	[ICRA]B+ (Stable); reaffirmed
Long-term – Fund-based – Term Loan	15.34	15.34	[ICRA]B+ (Stable); reaffirmed
Total	20.34	20.34	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Premium Serums & Vaccines Pvt. Ltd.'s (PSVPL's) established track of operations and extensive experience of its promoters in the serum business. The company markets its key products, anti-snake venom serum (ASVS) and anti-rabies serum (ARS), in both domestic and export markets. Over the years, PSVPL has developed a customer base that includes various state government bodies as well as overseas clients across Asia and Africa. Moreover, the complex manufacturing process and strict regulations in the industry act as entry barriers, leading to limited competition.

The rating, however, is constrained by the average financial risk profile of the company marked by a stretched liquidity position, modest internal accrual generation, low net worth level and relatively high long-term debt levels, resulting in a weak capital structure and coverage indicators. The company has generated healthy revenue growth in FY2023 and H1 FY2024, the sustenance of growth with strong margin will support the improvement in credit metrics over the medium term. ICRA also notes the support provided by PSVPL's promoters in the form of interest-free loans to support its liquidity position. The rating also factors in the high working capital intensity of operations due to high inventory and receivable levels; and exposure to exchange rate fluctuation risks, given that exports account for a sizeable part of PSVPL's revenues.

The Stable outlook on the rating reflects ICRA's opinion that PSVPL will benefit from its established operational track record and steady demand outlook for its products, enabling it to scale up its operations and accrual generation.

Key rating drivers and their description

Credit strengths

Extensive experience of its promoters in the businesses – PSVPL is promoted by Dr. Girish Kolwankar and Dr. Shyam Dhawan, veterinarians with extensive experience of ~15 years in the business. The strong experience of the promoters has helped the company to maintain healthy relationships with its customers.

Customer base includes reputed global organisations – PSVPL has a presence in Asia and Africa, which are the major markets for ASVS and ARS. It has a reputed customer base, which includes state government departments in India and government departments of various countries in Asia and Africa. The company's manufacturing facility are certified by WHO-GMP¹, which helps it to receive approval from various countries to export its products.

¹ WHO-GMP: World Health Organisation – Good Manufacturing Practices

Credit challenges

Average financial risk profile – The company's financial risk profile is average due to low internal accrual owing to its modest scale of operations (revenue of Rs. 39.2 crore per annum in FY2023) and volatility in margins, low net worth base, and high long-term debt, resulting in a weak capital structure and coverage indicators as indicated by TD/OPBITDA of 4.0x and interest coverage of 2.5x. ICRA expects improvement in PSVPL's capital structure and coverage indicators to be supported by higher accrual generation in the near to medium term.

High working capital intensity of business – The working capital intensity (NWC/OI) of business remained high at ~26% as on March 31, 2023, because of the high inventory holding period and receivable days.

Exposed to fluctuations in exchange rates – The company derives a significant share of its revenues from exports, exposing its margins to exchange rate fluctuations. In FY2023, the company generated about 64% of its revenue from exports (40% in FY2022). ICRA expects PSVPL's export revenue to increase in the near to medium term.

Liquidity position: Stretched

PSVPL's liquidity position is stretched as reflected by modest accrual generation and limited buffer as on September 30, 2023, in the form of unutilised working capital limits availed from the bank. The company has scheduled debt repayments of Rs. 3.0 crore in FY2024 and Rs 2.5 crore in FY2025, which are expected to be funded through cash accruals, existing cash balance and release of working capital.

Rating sensitivities

Positive factors – ICRA may upgrade the rating if the company is able to improve its scale of operations while maintaining its healthy margins, leading to improvement in the financial profile and liquidity position.

Negative factors – Pressure on the company's rating could arise if there is a sizeable decline in its revenues and profitability, leading to a further weakening of net worth, debt protection metrics and liquidity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology- Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

PSVPL was established in 2009 by Dr. Shyam Dhawan and Dr. Girish Kolwankar. The company is engaged in manufacturing anti-snake venom serum and anti-rabies serum at its facility in Narayangaon (Maharashtra).

Key financial indicators (audited)

PSVPL - Standalone	FY2022	FY2023
Operating income	26.7	39.2
PAT	1.6	2.0
OPBDIT/OI	28.1%	18.9%
PAT/OI	6%	5%
Total outside liabilities/Tangible net worth (times)	-75.0	26.7
Total debt/OPBDIT (times)	3.9	4.0
Interest coverage (times)	2.8	2.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Jan 5, 2024	Feb 14, 2023	-	-
1 Fund Based Limits	Long term	5.00	-	[ICRA]B+(Stable)	[ICRA]B+(Stable)	-	-
2 Term Loan	Long term	15.34	15.34	[ICRA]B+(Stable)	[ICRA]B+(Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund Based Limits	Simple
Long Term-Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based Limits	NA	NA	NA	5.00	[ICRA]B+(Stable)
NA	Term Loan 1	FY2020	11%-12%	FY2030	11.48	[[ICRA]B+(Stable)
NA	Term Loan 2	FY2021	8-9%	FY2026	3.86	[[ICRA]B+(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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Branches



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