

February 13, 2024

Zenvision Pharma LLP: [ICRA]B+(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	16.00	[ICRA]B+(Stable); Assigned
Long-term Fund-based – Term Loan	15.00	[ICRA]B+(Stable); Assigned
Total	31.00	

*Instrument details are provided in Annexure-I

Rationale

The rating considers Zenvision Pharma LLP's (ZPL) small scale of operations with revenue of Rs. 27.5 crore in FY2023, in a highly competitive pharmaceutical industry, limiting its financial flexibility. The ratings are also constrained by the company's higher working capital intensity owing to higher receivables and stretched liquidity position as reflected in the limited buffer available in working capital limits while repayments remain high. Moreover, the company's receivables increased significantly in 9M FY2024. The ratings also consider the risks (including capital withdrawal risk) involved with the partnership nature of the firm. The rating, however, draws comfort from promoters' extensive experience in the pharmaceutical industry, leading to healthy relationships with suppliers and customers, which supported healthy order inflows.

The Stable outlook on the long-term rating reflects ICRA's expectation that ZPL will be able to scale up its operations with healthy margins and improve its financial profile.

Key rating drivers and their description

Credit strengths

Significant experience of management in the pharmaceuticals industry – The company's promoters have significant experience of over three decades in the pharmaceutical industry with established relationships with reputed players. This has supported the company in scaling up its operations over the past five years. As on December 31, 2023, the company had ~Rs. 50 crore unexecuted orders for its contract research division, which needs to be executed over the next 12-18 months, providing revenue visibility over the near term.

Credit challenges

Small scale of operations – The company's scale remains small despite revenue growth at a CAGR of ~90% during FY2020-FY2023. The small scale exposes the company to the risk of business downturn and restricts its ability to absorb any temporary disruption and fixed costs. ICRA notes that the expected commencement of commercial production at its manufacturing unit would support revenue growth over the medium term, albeit on a low base.

Stretched receivables cycle leading to high working capital intensity and stretched liquidity position – The working capital intensity of the company remained high with receivable days (148 days as on March 31, 2023). Moreover, its receivables increased significantly in 9M FY2024 to ~Rs. 27.3 crore (from Rs. 11.2 crore as on March 31, 2023), impacting its cash flows and liquidity position. The firm has high repayment obligations of Rs. 8.0–10.0 crore in the next 12 months. Better management of receivables, leading to an improvement in the liquidity position, going forward, will remain a key monitorable.

Liquidity position: Stretched

The liquidity position of the company is stretched with lower cash and bank balances of Rs. 0.1 crore and buffer of Rs. 0.4-0.5 crore in the working capital limits as on December 31, 2023, against sanctioned limits. The company has repayment obligations of Rs. 8.0–10.0 crore for the next 12 months.

Rating sensitivities

Positive factors – ICRA could upgrade ZPL’s rating if there is a significant improvement in receivables cycle leading to improved liquidity position along with healthy scale up in revenues and earnings.

Negative factors – Pressure on ZPL’s rating could arise if any decline in revenues or profitability margins adversely impacts the debt coverage indicators. Any further stretch in the working capital cycle would also lead to a rating downgrade.

Analytical approach

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

About the company

Zenvision Pharma LLP was incorporated in 2015 by Dr. Sivakumar Venkata Bobba along with two other professional partners to set up a research and development (R&D) lab as well as manufacturing unit for formulations. The present management is headed by Dr. Bobba as managing partner, supported by two other experienced partners. ZPL offers Contract Research and Manufacturing Services (CRAMS), and has a manufacturing facility with a production capacity of 8.0 lakh tablets per day and 4.0 lakh capsules per day. It has also filed for 12 patents till date and is in the process of taking the products to market.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	14.4	27.5
PAT	4.4	4.9
OPBDIT/OI	43.8%	37.7%
PAT/OI	30.8%	17.8%
Total outside liabilities/Tangible net worth (times)	0.7	2.7
Total debt/OPBDIT (times)	1.3	2.8
Interest coverage (times)	9.9	3.2

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore

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

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 March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Feb 13, 2024	-	-	-
1 Cash Credit	Long term	16.00	-	[ICRA]B+ (Stable)	-	-	-
2 Term loans	Long term	15.00	25.15	[ICRA]B+ (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash Credit	Simple
Long-term fund-based – 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	Cash Credit	NA	NA	NA	16.00	[ICRA]B+(Stable)
NA	Term Loan	Jan 2022	NA	Jan 2030	15.00	[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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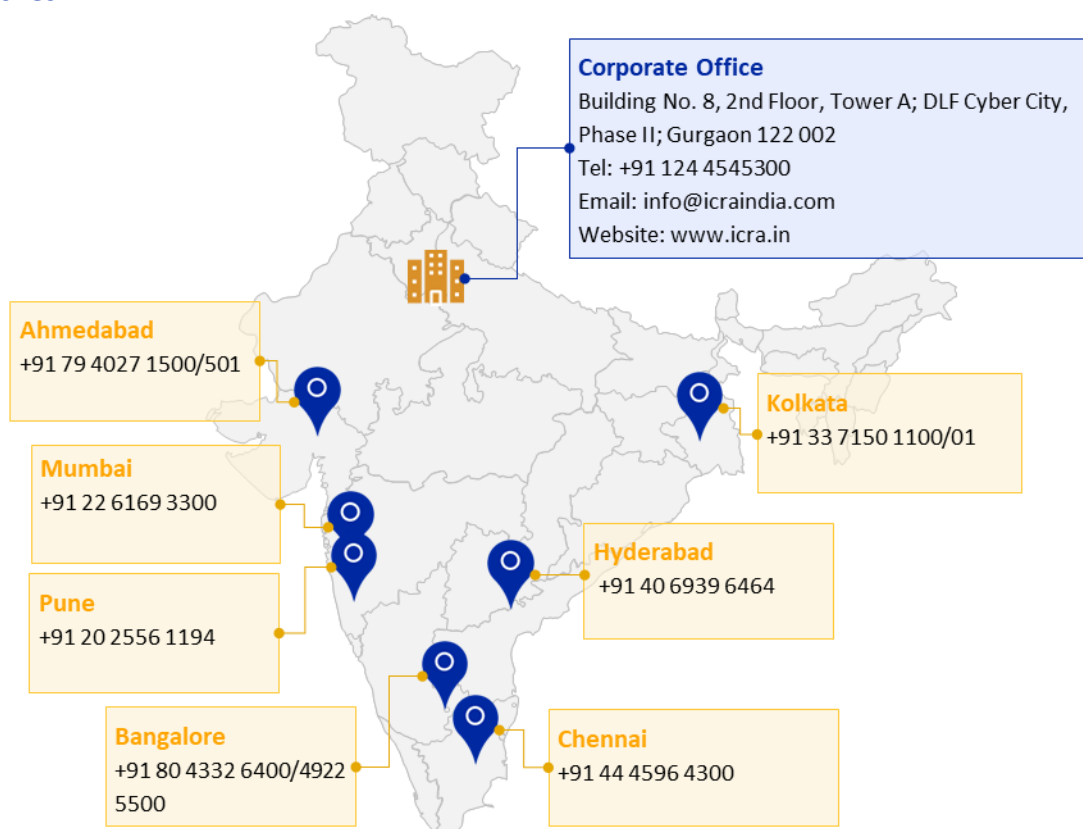


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