

March 14, 2023

Tenshi Kaizen Private Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long Term – Term Loan	90.00	90.00	[ICRA]BB+(CE) (Stable)
Total	90.00	90.00	

*Instrument details are provided in Annexure I

Rating Without Explicit Credit Enhancement	[ICRA]BB-
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Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

On March 02, 2023, ICRA was informed that Tenshi Life Sciences Private Limited (Tenshi Life or the company), the parent of Tenshi Kaizen Private Limited (Kaizen) has received the final order from National Company Law Tribunal (NCLT) pertaining to the company's amalgamation with Tenshi Pharmaceuticals Private Limited (Tenshi Pharma).

The rating assigned to Kaizen is based on the strength of the corporate guarantee provided by Tenshi Life (rated [ICRA]BB+ (Stable)/[ICRA]A4+).

ICRA takes note of the aforementioned update on amalgamation of Tenshi Life with Tenshi Pharma. ICRA will continue to engage with the company to evaluate the impact of the aforementioned update on its credit profile. Further, ICRA will continue to monitor these developments and take appropriate rating action as and when more clarity emerges.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	The assigned rating is based on the unconditional and irrevocable corporate guarantee extended by Tenshi Life.
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity.

About the company

Tenshi Kaizen Private Limited formerly known as Higher Pharmatech Private Limited was incorporated on April 02, 2007. Kaizen is backed by promoters, Mr. Arun Kumar, and Mr. Venkat S Iyer, who have wide knowledge of the pharmaceutical industry and a track record of incubating and developing pharmaceutical businesses. Kaizen has a R&D and manufacturing facility in Harohalli, Bangalore. The construction of probiotics manufacturing facility in Mysore and the plans for probiotics manufacturing is currently kept on hold. Kaizen also had a formulation facility in New Jersey which was expected to commence operations from FY2022, however, the same was getting delayed due to Covid restrictions as machineries could not be installed. The same is expected to be liquidated in the near term and the machineries are now being transferred to Bangalore facility (wherein expansion is being undertaken adjacent to the existing factory site).

Key financial indicators

Kaizen Standalone	FY2021	FY2022
Operating income (Rs. crore)	28.6	48.7
PAT (Rs. crore)	-1.9	-24.1
OPBDIT/OI (%)	41.1%	-13.2%
PAT/OI (%)	-6.7%	-49.6%
Total outside liabilities/Tangible net worth (times)	0.7	1.4
Total debt/OPBDIT (times)	9.4	-35.1
Interest coverage (times)	1.4	-0.6

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; All Amounts as per ICRA calculations

Tenshi Life Consolidated	FY2021	FY2022
Operating income (Rs. crore)	153.8	280.1
PAT (Rs. crore)	-100.5	-237.7
OPBDITA/OI (%)	-7.4%	-40.9%
PAT/OI (%)	-65.4%	-84.9%
Total outside liabilities/Tangible net worth (times)	1.6	2.2
Total debt/OPBDITA (times)	-96.0	-9.8
Interest coverage (times)	-0.2	-1.3

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; All Amounts as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Amount Rated (Rs. crore)	Amount outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	
				Mar 14, 2023	July 28, 2022	Apr 22, 2021	--	Mar 25, 2020	
1 Term Loan	Long Term	90.00	49.10	[ICRA]BB+(CE) (Stable)	[ICRA]BB+(CE) (Stable)	[ICRA]BBB-(CE)(Negative)	--	[ICRA]BBB-(CE)(Negative)	

Amount in Rs. Crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
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 No	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2018	10.0%	FY2025	90.00	[ICRA]BB+(CE) (Stable)

Source: Company; Note: Amounts in Rs. crore

[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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About ICRA Limited:

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