

June 21, 2017

## Naari Pharma Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Fund based- Term Loan	87.8	[ICRA]BBB+ (SO)&; Assigned/ ratings on watch with developing implications
Fund based-Cash Credit	20.0	[ICRA]BBB+(SO)&; Assigned/ ratings on watch with developing implications
Non Fund based- Letter of Credit / Bank Guarantee	10.0	[ICRA]A2+ (SO)&; Assigned/ ratings on watch with developing implications
<b>Total</b>	<b>117.8</b>	

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has assigned a long term rating of [ICRA] BBB+ (SO) &<sup>1</sup> (pronounced ICRA triple B plus structured obligation) to the Rs.87.8 crore term loan and Rs. 20.0 crore cash credit facility of Naari Pharma Private Limited (Naari / the company). ICRA has also assigned a short-term rating of [ICRA] A2+ (SO) & (pronounced ICRA A two plus structured obligation) to the Rs. 10.0 crore non fund based facilities of Naari. The ratings are on watch with developing implications.

### Rationale

The assigned rating takes into account the unconditional and irrevocable corporate guarantee issued by SeQuent Scientific Limited (SSL) (rated [ICRA] BBB+&/A2+&) for the bank facilities of Naari.

### Key rating drivers and their description:

The rating addresses the servicing of the bank lines to happen as per the terms of the underlying sanction letter and the guarantee arrangement and assumes that the guarantee will be duly invoked by the lender, in case there is a default in payment by the borrower. The rating is based on the strength of guarantee and it would have to be reviewed for any incremental funding after the guarantee is revoked.

**Analytical approach:** For arriving at the ratings, ICRA has taken into account; inter alia, the explicit support provided by SSL in the form of a corporate guarantee.

### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Approach for rating debt instruments backed by third-party explicit support](#)

[Rating Methodology for Pharmaceutical Industry](#)

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<sup>1</sup> The rated instrument does not involve a structured payment mechanism



### **About the company:**

Naari was incorporated as Indo Phyto Chemicals Private Limited on February 23, 1978. The company is engaged in manufacturing of active pharmaceutical ingredients (API), fermentation intermediaries and Finished Dosage Forms (FDF) products in the female healthcare domain. Naari currently produces 12 APIs and has an R&D pipeline including 9 more under development. The company has already commenced filings in regulated market. Naari with its presence in female healthcare formulations business in an emerging market has more than 37 registrations. During January 2016, SSL purchased 51.02% stake in Naari while the balance continues to be held by the promoters. Further, SSL has sold off its stake to another group entity Tenshi Life Sciences Private Limited in May, 2017.

Naari's API and intermediate manufacturing facility is located at Kashipur, India and is spread across approximately 50,000 sq. mts. This site has fermentation and synthesis capacities to produce hormones along with highly active OEB 5 (Operator Exposure Band) products as well. Naari's R&D for APIs and intermediates is located at this site with infrastructure for the development and scale up of chemical and fermentation processes. Naari's FDF manufacturing facility is located at Rudrapur, India and is spread across approximately 50,000 sq. mts. This site is involved in development and manufacturing of hormones with capabilities across tablets and soft gels (under development). The total annual capacity is over 3 billion tablets and capsules.

As per provisional financials, the company reported a net loss of Rs. 20.8 crore on an operating income of Rs. 68.6 crore during FY2017, as compared to a net loss of Rs. 10.7 crore on an operating income of Rs. 92.0 crore during FY2016.

### **About the Guarantors:**

#### **Sequent Scientific Limited**

Sequent Scientific Limited (SSL) is an integrated pharmaceuticals company with presence in human and animal Active Pharmaceutical Ingredients (APIs) and veterinary formulations. The company has seven manufacturing locations across India and Turkey and according to the management, is the world's largest producer of Anthelmintic APIs (used in anti-parasitic drugs). The company's portfolio consists of about 221 products with another 59 products currently under development.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:**
**Table:**

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crore)	Month - year & rating June 2017	Month - year & Rating in FY2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015
1	Term Loan	Long term	87.8	[ICRA]BBB+ (SO) &	-	-	-
2	Cash Credit	Long term	20.0	[ICRA]BBB+ (SO) &	-	-	-
3	LC/BG	Short term	10.0	[ICRA]A2+ (SO) &	-	-	-

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Interest rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. crore)</b>	<b>Current Rating and Outlook</b>
Term Loan	-	11.3%	March, 2023	87.8	[ICRA]BBB+ (SO) &
Cash Credit	-	-	-	20.0	[ICRA]BBB+ (SO) &
LC/BG	-	-	-	10.0	[ICRA]A2+ (SO) &

*Source: Naari Pharma Private Limited*

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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