

## Naari Pharma Pvt. Ltd.

November 13, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore) <sup>1</sup>	Rating Action
Term Loan	87.80	71.25	[ICRA]BBB (SO) (Stable); reassigned from [ICRA]BBB+ (SO) (Stable);
Long-Term - Fund Based limits	20.00	20.00	[ICRA]BBB (SO) (Stable); reassigned from [ICRA]BBB+ (SO) (Stable);
Short-Term – Non Fund Based limits	10.00	10.00	[ICRA]A2 (SO); reassigned from [ICRA]A2+ (SO);
Short-Term – Fund Based limits	0.00	5.00	[ICRA]A2 (SO); reassigned from [ICRA]A2+ (SO);
<b>Total</b>	<b>117.80</b>	<b>106.25</b>	

### Rating action

ICRA has reassigned the long-term rating outstanding on the Rs. 71.25 crore (revised from Rs. 87.80 crore) term loans and Rs. 20.00 crore long-term fund based facilities of Naari Pharma Pvt. Ltd. (Naari / the company)<sup>2</sup> to [ICRA]BBB (SO) (pronounced as ICRA triple B Structured Obligation) from [ICRA]BBB+ (SO) (pronounced as ICRA triple B plus Structured Obligation). ICRA has also reassigned the short-term rating outstanding on the Rs. 10.00 crore short-term non-fund based facilities of Naari to [ICRA]A2 (SO) (pronounced as ICRA A two Structured Obligation) from [ICRA]A2+ (SO) (pronounced as ICRA A two plus Structured Obligation). ICRA has also assigned a short-term rating of [ICRA]A2 (SO) (pronounced as ICRA A two Structured Obligation) on the Rs. 5.00 crore short-term fund based facilities of the company. A SO rating is specific to the rated issue, its terms, and its structure. "SO" ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. The outlook on the long-term rating is Stable.

### Rationale

The reassigned<sup>3</sup> ratings are based on the strength of the corporate guarantee provided by Tenshi Life Sciences Private Limited (Tenshi/ the guarantor, rated [ICRA]BBB (Stable)) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

### Outlook: Stable

Naari's rating outlook will be driven by the rating outlook of the guarantor.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>3</sup> The earlier [ICRA]BBB+ (SO) (Stable)/[ICRA] A2+ (SO) rating was based on the strength of the corporate guarantee provided by Sequent Scientific Limited (SSL, rated [ICRA]BBB+/A2+ with stable outlook). Post the transfer of SSL's stake of 51.02% in Naari to Tenshi, the corporate guarantee provided by SSL has been withdrawn and Tenshi has provided the corporate guarantee for the bank facilities of the company. The ratings are thus reassigned to [ICRA]BBB (SO) (Stable)/[ICRA]A2.

## Key rating drivers

### Credit strengths

- **Unconditional corporate guarantee provided by Tenshi for lines of credit availed by Naari:** ICRA has taken comfort from the irrevocable and unconditional corporate guarantee and the undertaking provided by Tenshi towards Naari's rated bank facilities.
- **Management team with extensive experience in the pharmaceutical industry** -The company's operations are guided by an experienced management team who have over two decades of experience in the pharmaceutical business across global markets, which has ensured established relations with global pharmaceutical majors.

### Credit weaknesses

- **Small scale of operations limits operational flexibility and scale benefits:** The company is currently characterized by small scale of operations with revenues of Rs. 61.7 crore as per provisional financials of FY2018 which limits operational flexibility and scale benefits to a certain extent.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

#### Links to applicable criteria:

[Corporate Credit Rating methodology](#)

[Rating methodology for Pharmaceutical industry](#)

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

### 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 nine more under development. The company has already commenced filings in regulated market. The company has filed the Certificate of suitability as per European Pharmacopoeia (CEP) for two APIs namely Norethisterone and Norethisterone Acetate. Naari with its presence in female healthcare formulations business in an emerging market has more than 37 registrations. During January 2016, Sequent Scientific Limited (SSL) purchased 51.02% stake in Naari while the balance continued to be held by the promoters. Subsequently, SSL sold off its stake to another group entity Tenshi Life Sciences Private Limited in May 2017. Naari has API and intermediate manufacturing facility located at Kashipur, India and FDF manufacturing facility located at Rudrapur, India. Both the facilities are recognized by Department of Scientific & Industrial Research (DSIR).

#### About the guarantor

Incorporated in FY2017, Tenshi is promoted by Mr. Arun Kumar through his family office. He has more than three decades of experience in the pharmaceutical industry and is the promoter for large pharmaceutical companies like Strides Shasun Limited (rated at [ICRA]A+ (Negative)/ [ICRA]A1). Tenshi has six subsidiaries catering to various segments of pharmaceutical industry namely Sterling Pharma Solutions Limited (Sterling), Naari Pharma Private Limited, Tenshi Active Pharma Sciences (TAPS), Tenshi Kaizen Private Limited (Kaizen), Stelis Biopharma Private Limited (Stelis, rated [ICRA]A+ (SO) (Negative)) and GMS Tenshi Holdings (GMS). Manufacturing plants and R&D centres of these six companies are present in Hyderabad, Mysore, Vizag, UK and New Jersey.

Sterling is one of the leading players offering contract research and manufacturing facilities in UK, enjoying sole supplier position for 75% of its product portfolio. Naari caters to woman’s healthcare and provides research and formulation facilities. TAPS has three R&D centres and manufacturing plants for developing complex generics. Kaizen is using proprietary technology platforms for developing and manufacturing products and probiotics. Stelis is in the process of development and manufacturing of finished products in biosimilar segment. GMS is developing molecules for cancer treatments.

### Key Financial Indicators (Audited)<sup>4</sup>

	<b>FY 2017</b>	<b>FY 2018</b>
Operating Income (Rs. crore)	68.6	62.3
PAT (Rs. crore)	-20.1	-29.0
OPBDIT/ OI (%)	-8.6%	-16.0%
RoCE (%)	-17.9%	-14.5%
Total Debt/ TNW (times)	-8.7	-3.3
Total Debt/ OPBDIT (times)	-19.9	-14.2
Interest coverage (times)	-0.7	-0.7
NWC/ OI (%)	74.7%	42.1%

Source: company

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

**Any other information: None**

<sup>4</sup> Key Financial Indicators of Naari for FY2018 are based on provisional financials

### Rating history for last three years:

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2018 (Rs. Crore)	Date & Rating November, 2018	Date & Rating in FY2018 March, 2018	Date & Rating in FY2018 June, 2017	Date & Rating in FY2017
1 Term Loans	Long-Term	71.25	71.65	[ICRA]BBB (SO) (Stable)	[ICRA]BBB+ (SO) (Stable)	[ICRA]BBB+ (SO) & <sup>5</sup>	-
2 Fund based limits	Long-Term	20.00	19.32	[ICRA]BBB (SO) (Stable)	[ICRA]BBB+ (SO) (Stable)	[ICRA]BBB+ (SO) &	-
3 Non-fund based limits	Short-Term	10.00	0.00	[ICRA]A2 (SO)	[ICRA]A2+ (SO)	[ICRA]A2+ (SO) &	-
4 Fund based limits	Short-Term	5.00	0.00	[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)

<sup>5</sup> & indicates ratings are on watch with developing implications

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 31, 2016	11.4%	FY2022	71.25	[ICRA]BBB (SO) (Stable)
NA	Fund Based - Cash Credit	March 31, 2016	11.4%	NA	20.00	[ICRA]BBB (SO) (Stable)
NA	Non-fund based – LC/BG	March 31, 2016	NA	NA	10.00	[ICRA]A2 (SO)
NA	Fund Based - PCFC	March 31, 2016	6.3%	NA	5.00	[ICRA]A2 (SO)

Source: company

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## About ICRA Limited:

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