

OMICS International Pvt. Ltd.

April 29, 2019

Summary of rated action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Cash Credit	10.50	3.10	[ICRA]D revised from [ICRA]BB+(Stable) and removed from 'ISSUER NOT COOPERATING' category
Fund Based – Term Loans	9.50	79.58	[ICRA]D revised from [ICRA]BB+(Stable) and removed from 'ISSUER NOT COOPERATING' category
Unallocated Limits	80.00	17.32	[ICRA]D revised from [ICRA]BB+(Stable) and removed from 'ISSUER NOT COOPERATING' category
Total	100.00	100.00	

*Instrument details are provided in Annexure-1

Rationale

The revision in rating is on account of delays in meeting the term loan repayment obligations by the company due to stretched liquidity position on the back of high debtor levels. The rating is also constrained by decline in revenues to Rs 150.00 crore in FY2019 from Rs 201.68 crore in FY2018 due to shift in business to group entity pulsus healthtech LLP; large proportion of revenues being derived from Conferences (~65%) which is contingent on reputation of the OMICS brand and high geographic concentration risk as major revenues are derived from UK and European markets. Further, the company is undertaking Rs.157.00 crore capital expenditure over the next 2 years to construct 250,000 sq. ft. campus on the outskirts of Hyderabad and the construction activity is yet to commence due to delay in statutory approvals. The timely completion of the project is a key rating monitorable as the repayment of the term loan will commence from June 2020. The rating however favourably factors in experience of management in publishing and conferences space for over eight years and comfortable financial risk profile with gearing of 0.52 times as on February 28, 2019 and interest coverage ratio of 8.97 times, NCA/Debt of 49% and TD/OPBITDA of 1.59 times in 11MFY2019.

Outlook: NA

Key rating drivers

Credit strengths

Experienced promoters: The management has experience of over eight years in publishing journals and organising conferences. The journal publishing segment was started in the year 2011, whereas the conference segment was commenced in the year 2013. OMICS operates over 700 peer-reviewed clinical, medical, life sciences, engineering and technological journals. Also, the company had organized ~3,000 conferences in the field of clinical, medical, life sciences, business, engineering and technology in the last one year.

Comfortable capital structure and coverage metrics: The capital structure remains comfortable with gearing of 0.52 times as on February 28, 2019 and coverage metrics are healthy with interest coverage ratio of 8.97 times, NCA/Debt of 49% and TD/OPBITDA of 1.59 times in 11MFY2019. However, the company's capital expenditure of Rs.157.00 crore to construct a new campus to be funded by debt of Rs. 75.00 crore is expected to adversely affect the leverage and coverage indicators in the near term.

Credit challenges

Delays in meeting repayment obligations due to stretched liquidity position: The company has delayed in meeting the term loan repayment obligations due to stretched liquidity position on the back of high debtors. The working capital utilisation is also high at 99% in the past 12 months.

Decline in revenues in FY2019: In FY2019, the OI is estimated to be lower by 26% due to shift in business to group company pulsus healthtech LLP. Further, the company stopped paying hotel accommodation charges as these payments were directly settled by the local entities.

Project execution risk from large debt funded capital expenditure: OMICS is undertaking Rs 157.00 crore capital expenditure over the next 2 years to construct 250,000 sq. ft. campus on the outskirts of Hyderabad. The same is funded by debt of Rs.75.00 crore and remaining from internal accruals. The construction activity is yet to commence and the delay in project execution was due to delay in approvals. As on February end, 2019, the total cost incurred is ~Rs 49.00 crore which was funded by Rs 16.00 crore term loans and remaining from internal accruals. The timely completion of the project is a key rating monitorable as the repayment of the term loans are commencing from June 2020. The repayments are high at Rs 16.64 crore per annum.

High revenue concentration risk on Conferences: The revenue concentration of the company is high on conference segment which contributes to 65% of the overall revenues and is contingent on reputation of the OMICS brand. Further organising conference is exposed to external risks outside of the company's control such as travel disruptions due to natural calamities or terrorist attacks etc. OMICS is also exposed to high geographic concentration risk of revenues as the company generated ~60% of the revenue from UK and Europe markets.

Liquidity position

The liquidity position is stretched as reflected by high utilization of working capital limits due to significant debtors and ongoing capex.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation / Standalone	The ratings are based on standalone financial profile of the company

About the company

OMICS International Private Limited (OMICS) was incorporated in the year 2008 and the operations commenced in the year 2011 with entry into journals segment. The Managing Director of the company, Dr Srinu Babu Gedela, is a Post-Doctoral student from Stanford University. OMICS is engaged in providing assistance to organize and publish scientific, medical and healthcare journals and conferences. OMICS provides backend services like framing the editorial board members for publishing services and organising committee in case of conferences, sending invitations to probable attendees for conferences, co-ordinating with authors etc. The major markets for OMICS are UK, Europe, Singapore, USA etc. The operations are carried out from four locations at Hyderabad all of which are in Special economic zones (SEZ).

Key financial indicators

	FY2017	FY2018	11MFY2019*
Operating Income (Rs. crore)	135.22	201.68	127.12
PAT (Rs. crore)	10.68	15.64	12.31
OPBDIT/ OI (%)	12.15%	12.11%	14.90%
RoCE (%)	31.14%	43.02%	41.74%
Total Debt/ TNW (times)	0.78	0.44	0.52
Total Debt/ OPBDIT (times)	1.58	0.91	1.59
Interest coverage (times)	25.97	10.92	8.97

Source: Annual Reports and ICRA research; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2020)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating April 2019	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
					Feb 2019	October 2017	
1 Fund Based Term Loan Limits	Long Term	79.58	32.58	[ICRA]D	[ICRA]BB+(Stable) ISSUER NOT COOPERATING	[ICRA]BB+(Stable)	
2 Fund Based Cash Credit Limits	Long Term	3.10	-	[ICRA]D	[ICRA]BB+(Stable) ISSUER NOT COOPERATING	[ICRA]BB+(Stable)	
3 Unallocated Limits	Long Term	17.32	-	[ICRA]D	[ICRA]BB+(Stable) ISSUER NOT COOPERATING	[ICRA]BB+(Stable)	

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

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 1	Oct 2017	-	April 2019	1.07	[ICRA]D
NA	Term Loan 2	Mar 2018	-	July 2020	2.80	[ICRA]D
NA	Term Loan 3	Mar 2018	-	Mar 2021	0.70	[ICRA]D
NA	Term Loan 4	Aug 2018	-	Sep 2024	75.00	[ICRA]D
NA	Cash Credit Limits				3.10	[ICRA]D
NA	Unallocated Limits				17.32	[ICRA]D

Source: OMICS International Pvt Ltd

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