

## Lyrus Life Sciences Private Limited

July 18, 2022

### Ratings

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	39.50	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short Term Bank Facilities	20.50	CARE A4 (A Four)	Assigned
<b>Total Bank Facilities</b>	<b>60.00</b> <b>(₹ Sixty Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The ratings assigned to bank facilities of Lyrus Life Sciences Private Limited (Lyrus) are constrained by the small scale of operations and continuous losses being incurred by the company on account of high R & D expenditure, working capital intensive nature of operations, moderate net worth base of the company, product concentration risk and absence of hedging mechanism against forex risks. These rating weaknesses are partially offset by the experience and resourcefulness of promoters who have been funding the losses, profitable trading operations of the company. CARE Ratings Ltd also positively takes note of the ANDA filing by the company for one of its products, and research and development (R & D) works being undertaken for developing its own products. Timely development and approval of the products being developed by the company are crucial for the company's future prospects of becoming profitable and self-sustainable.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations to above Rs.100 Cr at PBIDT>10% and TDGCA< 5x on a sustained basis.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in gross current asset days to more than 1 year and continuing losses reported by the company being funded out of debt.

### Detailed description of the key rating drivers

#### Key rating weaknesses

#### Small scale of operations with product concentration risk, and continuous losses being incurred by the company

Company's scale of operations has been small with operating income of Rs.74.34 Cr in FY22 though improved from Rs.34.76 Cr in FY19 due to scaling up of trading business in the past 4 years. However, with majority of the revenues coming from Paracetamol related products, product concentration risk persists. Also, historically, Lyrus has been incurring losses of Rs.6.3 Cr – Rs.6.6 Cr per annum on account of high R & D expenditure being incurred for developing its own products. During the past 3 years, company has incurred R & D expenditure of around Rs.17 crore to Rs.34 crore p.a.

#### Working capital intensive nature of operations

Gross current asset days of the company have been more than 250 days in the past 4 years owing to high receivable position of the company. Along with the receivables, there are unbilled receivables as the company bills its R & D related services on milestone basis to its customers, leading to high gross current asset days. As such, operating cycle of the company remains below 40 days owing to similar credit period being received by the company from its customers, to that of the collection period.

#### Moderate net worth base of the company adjusted to investments into associates/subsidiaries

More than 95% of the net worth base of the company has been deployed into its associates/subsidiaries. Considering the same, the net worth of the company has been moderate. These investments are expected to return to the company in 3 to 4 years' timeline and carry interest rate of LIBOR+2% to 3%.

#### Absence of hedging mechanism

Company earns majority of its revenues from exports. However, it doesn't have a hedging mechanism against currency fluctuations exposing the company to forex risks. As such, in the past 4 years, company earned gains on its forex transactions.

### Key rating strengths

#### Experienced and resourceful promoters

Lyrus is promoted by Mr. Hemanth Kumar Bothra and Mrs. Leela Kanwar, and Mr. Bothra is associated with the Company in the Capacity of Chairman and has more than 40 years of experience in the pharmaceutical industry. Prior to incorporation of Lyrus, Mr. Bothra was associated with Medrich Ltd, a fully integrated pharmaceutical company having an established presence across

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

the globe. During the year 2015, Mr. Bothra received more than Rs.250 Cr from sales of his share when Medrich was acquired by another entity. Mr. Bothra has been investing the same into various entities through the partnership firm Nokha Trading LLP (holding company of Lyrus) and has been funding the losses of Lyrus.

#### Profitable trading operations of the company

Company exports majority of its traded products to Australia and UK and historically, the trading operations have been profitable. Lyrus has made strategic investments in its associates/subsidiaries in Australia and UK through which it sells its pharmaceutical products to the end users. Apart from trading, company also provides contract R & D works services which include developing of products, analytical methods and its validations, compiling of product dossiers, replying to regulatory queries etc.

#### Liquidity: Poor

Liquidity of the company is poor due to continuous losses on account of high R&D expenses and is dependent on its parent company Nokha Trading LLP/promoters to fund its losses and debt repayments. Also, company's fund based working capital limits have been fully utilized in the past 12 months ending May 2022

**Analytical approach:** Standalone.

#### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Manufacturing Companies](#)

[Pharmaceutical](#)

[Wholesale Trading](#)

#### About the company

Incorporated in June 2015, Lyrus Life Sciences Private Ltd (Lyrus) is promoted by Mr. Hemanth Kumar Bothra and Mrs. Leela Kanwar, and is engaged in contract research and development works at its R & D unit in Hoskote, Karnataka and trading of pharmaceutical products. The products include tablets, capsules, soft gels, topicals such as ointments, sachets, liquid orals, sprays, injectables etc. Lyrus exports its traded products majorly to countries Australia and United Kingdom (UK). Under contract R & D division, Lyrus provides services such as developing of products, analytical methods and its validations, compiling of product dossiers, replying to regulatory queries etc. and has over 65 scientists spread across several teams such as ideation team, formulation development team, analytical development team, regulatory team etc. As of March 31, 2022, Lyrus had employee strength of 118 professionals having a combined experience of more than 300 years.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (Prov.)	Q1FY23
Total operating income	77.99	74.34	NA
PBILDT	0.41	1.53	NA
PAT	-6.32	-6.62	NA
Overall gearing (times)	1.54	1.48	NA
Interest coverage (times)	0.12	0.30	NA

A: Audited; Prov.: Provisional

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

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 31, 2028	10.50	CARE BB; Stable
Fund-based - ST-EPC/PSC	-	-	-	-	20.50	CARE A4
Fund-based - LT-Bank Overdraft	-	-	-	-	29.00	CARE BB; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	10.50	CARE BB; Stable	-	-	-	-
2	Fund-based - ST-EPC/PSC	ST	20.50	CARE A4	-	-	-	-
3	Fund-based - LT-Bank Overdraft	LT	29.00	CARE BB; Stable	-	-	-	-

\*LT/ST: Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities**

Name of the Instrument – Term loan	Detailed Explanation
<b>A. Financial covenants</b>	DSRA to be maintained with the bank: 3 months' principal plus interest at all times during the tenor of the facility. Total debt/Adj. net worth $\leq 1.5x$ Total debt/Net cash accruals $\leq 32.7x$ DSCR $\geq 1.15x$ Average DSCR $\geq 2.73x$ Interest coverage ratio $\geq 1.15x$
<b>B. Non-financial covenants</b>	Unsecured loans of Rs.52.06 Cr not to be withdrawn during the current of the bank facility. Interest or any other obligations towards unsecured loans will be subservient to payment of interest/principal or any other liabilities towards the lender.

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-EPC/PSC	Simple

**Annexure-5: Bank lender details for this company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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