

## Ind-Swift Laboratories Limited (Revised)

September 15, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	40.00	CARE BB (RWD)	Placed on Rating Watch with Developing Implications
Long Term / Short Term Bank Facilities	22.45	CARE BB / CARE A4 (RWD)	Placed on Rating Watch with Developing Implications
Short Term Bank Facilities	39.75	CARE A4 (RWD)	Placed on Rating Watch with Developing Implications
Non Convertible Debentures	424.50	CARE BB (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE has placed the ratings assigned to Ind Swift Laboratories Limited (ISLL) on 'Rating watch with developing implications' on account of announcement of slump sale of Active Pharmaceutical Ingredients (API) and CRAMS Business of ISLL to Synthimed Labs, a portfolio company of India Resurgence Fund, as well as the possible impact of the same on the credit risk profile of the company. Under this business transfer, ISLL will transfer the Active Pharmaceutical Ingredients (API) and Contract Research and Manufacturing services (CRAMS) business to Synthimed Labs Private Limited (Buyer) under Slump Sale basis. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

The ratings assigned to the bank facilities and long-term instruments of ISLL continues to derive strength from the improvement in the financial profile of the company as reflected by increase in total operating income along with improvement in profitability and debt protection metrics, experienced promoters, long track record of operations and regulatory approved manufacturing facilities and products. The rating however continues to remain constrained due to significant intergroup transaction and regulatory risk in the industry and high debt repayment in the medium term. However, the ratings remain constrained due to significant intergroup transaction, regulatory risk in the industry and risk associated with the high debt repayment in the medium term.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Scale up of operations with continuing profits reported at the net level
- Shortening of the working capital cycle leading to lower reliance on borrowings
- Ability of the company to repay the NCDs through debt refinancing or liquidity infusion on timely basis

#### Negative factors

- Any significant decline in income or in the PBILDT margins (to below 10%)
- Any major deterioration in the liquidity position
- Any significant fund diversion to the group entities/related parties or significant write off of existing advances/investments

**Analytical approach:** Standalone

**Outlook:** Not Applicable

**Detailed description of the key rating drivers:**

### Key strengths

<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

**Business Transfer agreement with Synthimed Labs, a portfolio company of India Resurgence Fund:**

On September 06, 2023, the board of directors of ISLL approved a business transfer of its Active pharmaceutical ingredients (API) and contract research and manufacturing services (CRAMS) business to Synthimed Labs Private Limited ("Synthimed"). Synthimed Labs is a portfolio company of India Resurgence Fund (IndiaRF), which is an India focused investment platform promoted by Piramal Enterprises Limited and Bain Capital.

As per the business transfer agreement, Ind-Swift Laboratories Ltd will sell its API business to Synthimed Labs Pvt Ltd for an enterprise value of Rs 1,650 crore. The equity value for transaction is Rs 850 crore, considering an approximate debt of Rs 800 crore. The sale consideration of Rs.800cr will be used to repay the outstanding debt of Rs.800cr and remaining will be the surplus to the company. Post completion of the transaction the company will not have any active business and will look for new venture using the fund received on sale of business.

Based on the BTA agreement announcement, CARE Ratings has placed the ratings assigned to the bank facilities and instruments of ISLL under 'Rating Watch with Developing Implications'. The transaction is yet to complete and CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

**Experienced promoters and long track record of operations:**

The company is operating with Mr. N.R. Munjal as its Managing Director who holds an overall experience of around three decades. IISL has been engaged in the pharmaceuticals industry since 1995 leading to a long standing industry presence. The oldest entity of the IND Swift group, Ind Swift Limited, also has been engaged in the industry since 1986. This has led to established business relations with the clients as well as the suppliers.

**Regulatory approvals for the manufacturing facilities and products:**

IISL's manufacturing plant is GMP (Good Manufacturing Practices) compliant and ISO 9001:2008 certified. It also has approvals for exports to various geographies, like USFDA (United States Food and Drug Administration), KFDA (Korean Food and Drug Administration), PDMA (Pharmaceuticals and Medical Devices Agency) etc., for its various products.

**Improvement in overall financial profile:**

There has been a considerable improvement in the overall financial risk profile of the company as reflected by increase in total operating income along with improvement in profitability margins and debt protection metrics leading to improvement in solvency profile as well.

The PBILDT of the company remains in line with FY22 and stood at Rs. 236.04 Crores in FY23 as against Rs.235.89 Crores in FY22. The Gross Cash Accruals of the entity stood at Rs. 105.19 crores during FY23 declined from Rs.133.22 Crores in FY22. The capital structure of the company viz. the long-term debt to equity ratio and overall gearing ratio stood at 1.69x and 1.78x as on March 31, 2023 improving from 2x and 2.14x respectively, as on March 31, 2022. The interest coverage ratio has improved to 2.56x in FY23 from 2.47x in FY22 on account higher sale of API's and sale from trading along with increase in export turnover in FY23. Further during Q1FY23, the company has sales of Rs.304.56cr with PBILDT of Rs. 65.37cr and GCA of Rs 30.94cr.

**Key weaknesses****Impact of government regulations:**

The pharmaceutical industry is a closely monitored and regulated industry and as such there are inherent risks and liabilities associated with the products and their manufacturing. Regular compliance with product and manufacturing quality standards of regulatory authorities is critical for selling products across various geographies. The industry is characterized by a high level of competition having presence of a large number of small and big players.

The companies need to ensure compliance with stringent safety and quality norms for the products. Regular inspection of the production facilities to keep check on the quality norms. Any adverse observation can lead to noncompliance issues and delay launch of any further products.

**Significant intergroup transaction:**

The company has significant inter-group transaction viz. investment, receivable and loan and advances to group companies. Due to stretched position at the group companies the company has long pending receivable of Rs. 275.06 Crores (PY: Rs. 262.52 crores) as on March 31, 2023. The said receivables are pending from long time and has led to stretched liquidity at ISLL. Apart from this the company has investment of Rs. 85.12 Crores (PY:110.68 cr) and loan and advances of Rs. 96.81 Crores (PY: 52.77 cr) as on March 31, 2022. Therefore, going forward in the event of any further loan and advances funded through debt to group companies will be key rating sensitivity.

However, majority of these investment/advances are being funded through the net-worth of the company without any reliance on the external debt.

### High debt repayment in the medium term:

The company has issued NCD of Rs.450cr during Jun,18 for the repayment to its lenders under the OTS scheme. These NCD has IRR of 20% with annual coupon of 10% and redeemable on Jun'24. Considering the higher IRR, the company eventual liability will be higher than Rs.450cr and as on March 31, 2023 stood at Rs.667.96 cr.

Therefore, considering the stretched liquidity position on account of high repayment, ability of the company to repay the debt obligations on timely basis through debt refinancing or liquidity infusion would be the key rating sensitivity.

### Liquidity: Stretched

The liquidity position of the company seems moderate on account of repayment of Rs. 50.19 Crores during FY24 as against sufficient cash accruals. However, liquidity position of the company is stretched on account of a very high repayment due in FY25 pertaining to redemption of NCD's along with term debt repayment obligation, for which it needs to create reserve and preserve liquidity.

The current ratio and quick ratio of the company, however remain comfortable and above unity.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Pharmaceutical](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Incorporated in 1995, IISL is engaged in the manufacturing of Active Pharmaceutical Ingredients, advanced Intermediates and providing Contract Research and Manufacturing Services (CRAMS). ISLL is a part of the Ind-Swift Group and was formed in 1995. The company has three manufacturing facilities- two in Dera Bassi (including research facility), Punjab and one in Samba, Jammu & Kashmir. The products manufactured by the company are sold in both India and the export markets. The group concerns of the company (among others) include IND Swift Limited and Essix Biosciences Limited (rated, 'CARE B+; Stable/CARE A4'), both engaged in the pharmaceuticals industry; Fortune India Constructions Private Limited, engaged in the construction industry, etc. The company has three marketing subsidiaries: IND Swift Laboratories Inc. (USA), Meteoric Life Sciences Pte Limited (Singapore), IND Swift Middle East FZE (UAE). The latter two are currently non-operational. The product line of the company, finds its application in a varied range of therapeutic segments as antibiotics, anti-coagulants, anti-virals, lipid lowering agents, etc.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24
Total operating income	1015.84	1207.31	304.56
PBILDT	235.89	236.04	65.37
PAT	-5.71	47.83	17.05
Overall gearing (times)	2.14	1.78	NA
Interest coverage (times)	2.47	2.56	3.21

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; NA: Not Available

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

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

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

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	40.00	CARE BB (RWD)
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	22.45	CARE BB / CARE A4 (RWD)
Non convertible debentures	INE915B07024	13-Jun-2018	10%	12-Jun-2024	424.50	CARE BB (RWD)
Non-fund-based - ST-BG/LC		-	-	-	39.75	CARE A4 (RWD)

#### 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 2023-2024	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
1	Debentures-Non Convertible Debentures	LT	424.50	CARE BB (RWD)	-	1)CARE BB; Stable (08-Nov-22)	1)CARE BB-; Stable (23-Dec-21) 2)CARE B (CW with Developing Implications) (10-Aug-21)	1)CARE B; Stable (16-Sep-20)
2	Fund-based - LT-External Commercial Borrowings	LT	-	-	-	-	-	1)Withdrawn (16-Sep-20)

3	Fund-based - LT-Working Capital Limits	LT	40.00	CARE BB (RWD)	-	1)CARE BB; Stable (08-Nov-22)	1)CARE BB-; Stable (23-Dec-21) 2)CARE B (CW with Developing Implications) (10-Aug-21)	1)CARE B; Stable (16-Sep-20)
4	Non-fund-based - ST-BG/LC	ST	39.75	CARE A4 (RWD)	-	1)CARE A4 (08-Nov-22)	1)CARE A4 (23-Dec-21) 2)CARE A4 (CW with Developing Implications) (10-Aug-21)	1)CARE A4 (16-Sep-20)
5	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	22.45	CARE BB / CARE A4 (RWD)	-	1)CARE BB; Stable / CARE A4 (08-Nov-22)	1)CARE BB-; Stable / CARE A4 (23-Dec-21) 2)CARE B / CARE A4 (CW with Developing Implications) (10-Aug-21)	1)CARE B; Stable / CARE A4 (16-Sep-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
4	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the 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.

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Dinesh Sharma Director <b>CARE Ratings Limited</b> Phone: +91-120-4452005 E-mail: <a href="mailto:dinesh.sharma@careedge.in">dinesh.sharma@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Sajan Goyal Director <b>CARE Ratings Limited</b> Phone: +91-120-4452017 E-mail: <a href="mailto:sajan.goyal@careedge.in">sajan.goyal@careedge.in</a></p> <p>Amit Jindal Associate Director <b>CARE Ratings Limited</b> Phone: +91-120-4452073 E-mail: <a href="mailto:amit.jindal@careedge.in">amit.jindal@careedge.in</a></p> <p>Shabnam Goyal Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:shabnam.goyal@careedge.in">shabnam.goyal@careedge.in</a></p>
---	--

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**