

Ind-Swift Laboratories Limited

March 29,2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4 and removed from Rating Watch with Developing Implications and withdrawn
Long Term / Short Term Bank Facilities	-	-	Withdrawn
Long Term Bank Facilities	-	-	Withdrawn
Non Convertible Debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has reaffirmed and removed the rating from "Rating watch with developing implications" as company has completed the slump sale transactions for sale of Active Pharmaceutical Ingredients (API) and CRAMS Business of ISLL to Synthimed Labs, a portfolio company of India Resurgence Fund on March 18,2024, and proceeds from slump sale has been used for repayment of entire external debt. Thus, ratings have been withdrawn on account of full surrender of facilities/instruments and "No Objection Certificates" received from the bank that has extended the facilities rated by CARE.

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 and regulatory risk in the industry.

Analytical approach: Standalone

Detailed description of the key rating drivers:

Key strengths

Completion of Business Transfer agreement with Synthimed Labs, a portfolio company of India Resurgence Fund and repayment of entire external debt:

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. This transaction is concluded on March 18,2024 and company has repaid the entire external debt from the proceeds of slump sale.

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.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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 1.61x and 1.71x as on March 31, 2023 improving from 2.17x and 2.33x respectively, as on March 31, 2022. The interest coverage ratio has improved to 2.79x in FY23 from 2.49x in FY22 on account higher sale of API's and sale from trading along with increase in export turnover in FY23. Further during 9MFY24, the company has achieved the sales of Rs. 865.66 cr with PBILDT of Rs. 197.53 cr and GCA of Rs.114.54 cr.

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, 2023.

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

Liquidity: Adequate

Company has successfully completed slump sale transaction on March 18,2024 and has repaid entire external debt from the proceeds of slump sale. Thus, since company don't have any external debt obligations liquidity position stands comfortable.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Pharmaceuticals](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

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 in1995.

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)	December 31, 2023 (UA)
Total operating income	1,016.62	1,178.67	865.66
PBILDT	235.90	249.86	197.53
PAT	-5.71	42.47	73.90
Overall gearing (times)	2.14	1.65	NA
Interest coverage (times)	2.47	2.71	3.15

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results 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 Rae (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	0.00	Withdrawn
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	0.00	Withdrawn
Non convertible debentures	INE915B07024	13-Jun-2018	-	12-Jun-2024	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn

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	-	-	1)CARE BB (RWD) (07-Dec-23) 2)CARE BB (RWD) (15-Sep-23)	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	-	-	1)CARE BB (RWD) (07-Dec-23) 2)CARE BB (RWD) (15-Sep-23)	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	-	-	1)CARE A4 (RWD) (07-Dec-23) 2)CARE A4 (RWD) (15-Sep-23)	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	-	-	1)CARE BB / CARE A4 (RWD) (07-Dec-23) 2)CARE BB / CARE A4 (RWD) (15-Sep-23)	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)

LT: Long term; ST: Short term; LT/ST: 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.

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About us:

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