Sava Healthcare Limited

January 22, 2020

Rating

Facilities	**Amount (Rs. crore)**	**Ratings**[1]	**Rating Action**
Long term Bank Facilities	-	-	**Reaffirmed at CARE B+; Issuer Not Cooperating and Withdrawn**
Short term Bank Facilities	-	-	**Reaffirmed at CARE A4; Issuer Not Cooperating and Withdrawn**
Total	-		

Details of instruments/facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE B+/ CARE A4; ISSUER NOT COOPERATING* (Single B Plus/ A Four; Issuer not cooperating*) assigned to the Bank facilities of Sava Healthcare Limited with immediate effect. The rating continues to take into account the small scale of operations, moderate profit margins, stretched liquidity position, and foreign exchange fluctuation risk. The ratings, further, continue to remain constrained on account of dependence on export and presence in highly fragmented industry with limited value addition.

The ratings also factor in experienced promoters in the healthcare business and comfortable capital structure.

The rating withdrawal is at the request of Sava Healthcare Limited and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with moderate profit margins: The total operating income of the company has seen a y-o-y growth of approximately 13.38% to Rs.100.66 crore in FY19. The PBILDT and PAT margins stood at 11.25% and 2.88% in FY19 as against 14.38% and 2.95% in FY18.

Foreign Exchange fluctuation risk: SHL imports about 27% of its raw materials and while around 63% of the income is generated from export market in FY15. The imports of the company are hedged naturally. However, the company does not employ any hedging policy therefore leaving its margins susceptible to volatility in exchange rates.

Dependence on export and presence in highly fragmented industry with limited value addition: Since, SHL has forayed into manufacturing of pharmaceutical products; the scope of value addition has increased tremendously which has shown positive impact on its profitability margins. However, the company is operating in a highly fragmented industry.

Key Rating Strengths

Experience of promoters in the healthcare business: Though SHL was incorporated in 2004, Mr. Vinod Jadhav, Managing Director, has been in the business of trading, manufacturing of pharmaceutical products and herbal products for the last two decades. The Sava group has been involved in the trading and manufacturing of pharmaceutical products since more than a decade. The same has enabled the group to grow and establish presence in the segment.

Comfortable Capital Structure: The capital structure of the entity remained comfortable marked by overall gearings of 0.79x as on March 31, 2019 on account of lower debt levels.

Liquidity: Stretched

The liquidity position of SHL remains stretched during FY19. The current ratio of the company as on March 31, 2019 remained at 1.20x as against 1.05x as on March 31, 2018. The operating cycle remained at 137 days during FY19. Also the cash and bank balance remained low at Rs 0.25 crore as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria

Policy on Withdrawal of ratings
Criteria on assigning Outlook to Credit Rating
Criteria for Short Term Instruments
CARE's Methodology for Pharmaceutical Sector

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; based on best available information*

[CARE's default recognition policy]
[Financial ratios - Non Financial Sector]

About the company
Sava Healthcare Limited (SHL; formerly known as Anagha Pharma Private Limited) was incorporated in October 2004 in the name of Anagha Intertrade Services Private Limited (later name changed to Anagha Pharma Private Limited). SHL, promoted by Mr. Vinod Jadhav and Mrs. Suvarna Jadhav, is primarily engaged into trading, manufacturing of pharmaceutical products and herbal products. The company has its manufacturing facilities at Surendranagar (Gujarat) and Kolar (Karnataka).

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	88.78	100.66
PBILDT	12.77	11.32
PAT	2.62	2.90
Overall gearing (times)	0.79	0.77
Interest coverage (times)	2.31	2.27

A: Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

**Issuer did not cooperate; based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	1)CARE B+; ISSUER NOT COOPERATING* (28-Nov-19)	1)CARE B+; ISSUER NOT COOPERATING * (14-Aug-18)	1)CARE BB-; ISSUER NOT COOPERATING* (26-Apr-17)	1)CARE BB- (26-Aug-16)
2.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE B+; ISSUER NOT COOPERATING* (28-Nov-19)	1)CARE B+; ISSUER NOT COOPERATING * (14-Aug-18)	1)CARE BB-; ISSUER NOT COOPERATING* (26-Apr-17)	1)CARE BB- (26-Aug-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING* (28-Nov-19)	1)CARE A4; ISSUER NOT COOPERATING * (14-Aug-18)	1)CARE A4; ISSUER NOT COOPERATING* (26-Apr-17)	1)CARE A4 (26-Aug-16)
4.	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING* (28-Nov-19)	1)CARE A4; ISSUER NOT COOPERATING * (14-Aug-18)	1)CARE A4; ISSUER NOT COOPERATING* (26-Apr-17)	1)CARE A4 (26-Aug-16)

**Issuer did not cooperate; based on best available information*

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporate to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.