

No. CARE/CHBO/RL/2020-21/1279

**Shri N R Munjal**  
**Managing Director & Chairman**  
**Ind-Swift Laboratories Limited**  
NAC Mani Majra  
Chandigarh

September 10, 2020

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY20 (Audited) and Q1FY21 (Unaudited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	40.00	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE C; Stable (Single C; Outlook: Stable)
Long Term / Short Term Bank Facilities	31.60 (Reduced from 32.10)	CARE B; Stable / CARE A4 (Single B ; Outlook: Stable / A Four)	Revised from CARE C; Stable / CARE A4 (Single C ; Outlook: Stable / A Four)
Short Term Bank Facilities	39.75	CARE A4 (A Four)	Reaffirmed
Long Term Bank Facilities	0.00	-	Withdrawn*
<b>Total Facilities</b>	<b>111.35</b> <b>(Rs. One Hundred</b> <b>Eleven Crore and</b> <b>Thirty-Five Lakhs</b> <b>Only)</b>		

\*CARE has withdrawn the rating assigned to the external commercial borrowings facility of IND-Swift Laboratories Limited, with immediate effect since there is no amount outstanding under the facility

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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CIN-L67190MH1993PLC071691

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by September 15, 2020, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.

9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



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Encl.: As above

**Disclaimer**

CARE's 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

## Annexure 1

### Details of Rated Facilities

#### 1. Long Term Facilities

##### 1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Bank of India	40.00	Working capital limits
	<b>Total</b>	<b>40.00</b>	

**Total Long Term Facilities : Rs.40.00 crore**

#### 2. Short Term Facilities

##### 2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Bank of India	39.75	Letter of credit/Bank Guarantee
	<b>Total</b>	<b>39.75</b>	

**Total Short Term Facilities : Rs.39.75 crore**

#### 3. Long Term / Short Term Facilities

##### 3.A. Fund Based /Non Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	IDBI Bank Ltd.	31.60	Working capital limits
	<b>Total</b>	<b>31.60</b>	

**Total Long Term / Short Term Facilities : Rs.31.60 crore**

**Total Facilities (1.A+2.A+3.A) : Rs.111.35 crore**

**Annexure 2**  
**Press Release**  
**IND Swift Laboratories Limited**

**Ratings**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>2</sup></b>	<b>Rating Action</b>
Long term bank facilities (Fund based limits)	40.00	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE C; Stable (Single C; Outlook: Stable)
Long term bank facilities (External commercial borrowings)	-	-	Withdrawn*
Short term bank facilities	39.75	CARE A4 (A Four)	Reaffirmed
Long term/Short term bank facilities	31.60 (reduced from 32.10)	CARE B; Stable/CARE A4 (Single B; Outlook: Stable/ A Four)	Revised from CARE C; Stable / CARE A4 (Single C ; Outlook: Stable / A Four)
<b>Total bank facilities</b>	<b>111.35</b> <b>(Rupees one hundred eleven crores and thirty five lakhs only)</b>		
Long term instruments (Non-Convertible Debentures)	424.50	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE C; Stable (Single C; Outlook: Stable)
<b>Total instruments</b>	<b>424.50</b> <b>(Rupees Four hundred and twenty four crores and fifty lakhs only)</b>		

*\*CARE has withdrawn the rating assigned to the external commercial borrowings facility of IND-Swift Laboratories Limited, with immediate effect since there is no amount outstanding under the facility  
Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The revision in the long term ratings assigned to the bank facilities and long term instruments of Ind-Swift Laboratories Limited (ISLL) takes into account the increasing scale of operations in the past and the improved profitability in Q1FY21 (Unaudited). The ratings further derive strength from the experienced promoters and regulatory approvals in place. The ratings, however, remain constrained by the weak overall solvency position, concentrated product profile, susceptibility of profitability margins to foreign exchange fluctuations & raw material price volatility and regulatory risk in the industry.*

**Rating sensitivities**

*Positive factors*

- Steady scale-up of operations with continuing profits reported at the net level

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

- *Improvement in the overall solvency position with an overall gearing ratio of less than 2x and total debt to GCA ratio of less than 10x*
- *Shortening of the working capital cycle leading to lower reliance on borrowings*

#### *Negative factors*

- *Any major deterioration in the liquidity position and inability to refinance the issued non-convertible debentures in a timely manner*
- *Any significant decline in income or in the PBILDT margins (to below 10%)*
- *Any significant fund diversion to the group entities/related parties or significant write-offs of existing advances/investments*

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

#### **Key rating strengths**

***Increasing scale of operations in the past and improved profitability in Q1FY21 (Unaudited):*** The total income of ISLL has grown in the past. The same grew by a modest ~2% in FY20 on account of better demand from its export markets and higher income from the Contract Research and Manufacturing Services (CRAMS) segment. The total income increased further by ~12% in Q1FY21 (UA) as compared to Q1FY20 (UA) on the back of better demand and improved realizations. The PBILDT margins of the company remained healthy at 22.38% in FY20 improving from 22.04% in FY19 owing to increased proportion of income from exports as well as the CRAMS segment, both of which yield higher profitability. The PBILDT margins also remained healthy at 23.31% in Q1FY21 (UA) improving from 22.98% in Q1FY20 (UA), on account of better realizations and higher export sales. The company, however, booked a net loss of Rs.20.79 Cr. in FY20, as compared to a net profit of Rs.38.58 Cr. in FY19. This was in the absence of exceptional income (net of balances written back on account of one time settlement with the various banks, de-recognition of liabilities, creditors written off etc.). In Q1FY21 (UA), the company reported a net profit of Rs.4.17 Cr., as compared to a net loss of Rs.8.10 Cr., during Q1FY20 (UA).

***Experienced promoters:*** 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.

#### **Key rating weaknesses**

***Weak overall solvency position:*** The capital structure of the company viz. the long term debt to equity ratio and overall gearing ratio stood leveraged at 2.37x and 2.68x respectively, as on March 31, 2020; though, improving from 3.63x and 4.22x respectively, as on March 31, 2019, on account of conversion of the issued Optionally Convertible Debentures (OCDs) of Rs.75.44 Cr. to equity and repayment of term debt obligations. The interest coverage ratio remained moderate in FY20 though deteriorating from FY19 on account of higher interest expenses. With the absence of any exceptional income leading to lower GCA, the total debt to GCA remained weak at 14.76x as on March 31, 2020, deteriorating from 7.44x as on March 31, 2019. The interest coverage ratio also improved to 1.95x in Q1FY21 (UA) from 1.51x in Q1FY20 (UA) on account of higher interest expenses.

***Concentrated product profile:*** IISL has a concentrated revenue profile with top five products constituting around 60% of the total income in FY20 (PY: ~70%).

***Exposure to raw material price volatility and foreign exchange fluctuations risk:*** During FY20, the raw materials costs constituted ~50% of the total income with the imported raw material forming ~50% of the total material purchase cost. This exposes the profitability margins to any adverse fluctuation in the raw material prices. The company derives most of its revenue from exports which constituted ~68% of the total income in FY20. The company is naturally hedged to some extent, but for the remaining unhedged portion the profitability margins are exposed to adverse fluctuations in foreign exchange rates.

**Regulatory risk:** 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.

**Liquidity: Stretched**

The operating cycle remained elongated but around previous year's levels at ~303 days, as on March 31, 2020. Though high in the past, the average utilization of the fund based working capital limits remained moderate at ~71% for the twelve month period ended July-2020. The current ratio and quick ratio of the company, however, improved to 2.60x and 1.53x respectively, as on March 31, 2020 to 2.31x and 1.39x respectively, as on March 31, 2019. ISLL had also availed the moratorium, extant RBI guidelines in light of Covid-19, on its working capital interest payments due in the March-2020 to August-2020 from the banks and for a part of its obligations from other lenders as well. The company has also proposed to undertake a modernization capex of ~Rs.10 Cr. in FY21 also to be funded through the internal accruals generated. ISLL has made investments to the tune of Rs.55.45 Cr. in the form of short term unsecured loans, capital advances of Rs.54.62 Cr. and Rs.26.35 Cr. in the form of equity capital in its group concerns as on March 31, 2020 while it also has long pending receivables from its group concerns (ISL and EBL). Writing off of any significant amount of these may adversely impact the profitability of ISLL in the future. Further, any significant investments/ advances to the group entities/related parties will remain a key rating sensitivity. The company has a repayment obligation of ~Rs.36 Cr. in FY21 projected to be done through the internal accruals generated. Also, the company is in the process of getting the issued NCDs refinanced in the near future. However, the repayable amount of NCDs will increase significantly going forward in case the company is not able to refinance this debt. This, therefore, remains a key rating monitorable.

**Analytical approach:** Stand Alone

**Applicable Criteria**

Criteria on assigning Outlook and Credit Watch to Credit Ratings

Rating Methodology: Consolidation and Factoring Linkages in Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

CARE's methodology for manufacturing companies

Financial ratios-Non financial sector

Liquidity Analysis of Non-Financial Sector Entities

CARE's methodology for pharmaceutical sector

**About the Company**

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.

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

Brief Financials(Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	768.52	785.83
PBILDT	169.37	175.89
PAT	38.58	-20.79
Overall gearing (times)	4.22	2.68
Interest coverage (times)	1.84	1.64

*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**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Fund-based - LT- External Commercial Borrowings	-	-	-	0.00	Withdrawn
Fund-based - LT- Working Capital Limits	-	-	-	40.00	CARE B; Stable
Non-fund-based - ST- BG/LC	-	-	-	39.75	CARE A4
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	31.60	CARE B; Stable / CARE A4
Debentures-Non Convertible Debentures	June 13, 2018	10%	June 12, 2024	424.50	CARE B; Stable

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	424.50	CARE B; Stable	-	1)CARE C; Stable (17-Sep-19)	1)CARE C; Stable (21-May-18)	-
2.	Fund-based - LT-External Commercial Borrowings	LT	-	-	-	1)CARE C; Stable (17-Sep-19) 2)CARE C; Stable (05-Apr-19)	-	-
3.	Fund-based - LT-Working Capital Limits	LT	40.00	CARE B; Stable	-	1)CARE C; Stable (17-Sep-19) 2)CARE C; Stable (05-Apr-19)	-	-
4.	Non-fund-based - ST-BG/LC	ST	39.75	CARE A4	-	1)CARE A4 (17-Sep-19) 2)CARE A4 (05-Apr-19)	-	-
5.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	31.60	CARE B; Stable / CARE A4	-	1)CARE C; Stable / CARE A4 (17-Sep-19)	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**
**Annexure 4: Complexity level of various instruments rated for this Company**

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**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 corporates 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.

**Disclaimer**

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