

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

December 20, 2021

Confidential

Dear Sir,

Credit rating for Non-Convertible Debenture issue

On the basis of recent developments including operational and financial performance of your Company for FY21 (Audited) and H1FY22, removed from credit watch because of the cancellation of transaction for sale of business to PI Industries Limited, our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
1.	Non Convertible Debentures	424.50	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE B (Single B) and removed from Credit watch with Developing Implications; Stable outlook assigned
	Total Instruments	424.50 (Rs. Four Hundred Twenty-Four Crore and Fifty Lakhs Only)		

- The NCDs are repayable by June 12, 2024 as per the cash sweep mechanism given in the term sheet.
- 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 December 21, 2021, we will proceed on the basis that you have no any comments to offer.

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

4. CARE Ratings Ltd. 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 Ratings Ltd. 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 Ratings Ltd. 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 Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. 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 Ratings Ltd. shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
6. 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.
7. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
8. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

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

Thanking you,

Yours faithfully,



Mandeep Patel
Analyst
Mandeep.Patel@careedge.in



Amit Jindal
Assistant Director
amit.jindal@careedge.in

Encl.: As above

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238

CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off
Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

Disclaimer

The ratings issued by CARE Ratings Limited 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 Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited 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 Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited 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 Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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 Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited'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.

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238

CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off
Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

Annexure - 2
Press Release
Ind-Swift Laboratories Limited

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ²	Rating Action
Long Term Bank Facilities	40.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE B (Single B) and removed from Credit watch with Developing Implications; Stable outlook assigned
Long Term / Short Term Bank Facilities	28.45 (Reduced from 31.60)	CARE BB-; Stable / CARE A4 (Double B Minus ; Outlook: Stable/ A Four)	Revised from CARE B / CARE A4 (Single B / A Four) and removed from Credit watch with Developing Implications; Stable outlook assigned
Short Term Bank Facilities	39.75	CARE A4 (A Four)	Reaffirmed and removed from Credit watch with Developing Implications
Total Bank Facilities	108.20 (Rs. One Hundred Eight Crore and Twenty Lakhs Only)		
Non Convertible Debentures	424.50	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE B (Single B) and removed from Credit watch with Developing Implications; Stable outlook assigned
Total Long Term Instruments	424.50 (Rs. Four Hundred Twenty-Four Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and long-term instruments of ISLL are upgraded considering the improvement in overall financial profile as reflected by increase in total operating income along with improvement in profitability and debt protection metrics. The ratings further derive strength from the 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.

Rating Sensitivities

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

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

Outlook: Stable

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

Detailed description of the key rating drivers**Key Rating Strengths****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 rose to Rs. 203.62 Crores in FY21 from Rs. 175.89 Crores in FY20 and further increased to Rs. 118.93 Crores during H1FY22. The Gross Cash Accruals of the entity stood at Rs. 102.72 Crores during FY21 rising from Rs. 70.09 Crores in FY20 and further improving to Rs. 70.62 Crores in H1FY22. The capital structure of the company viz. the long-term debt to equity ratio and overall gearing ratio stood at 2.02x and 2.30x as on March 31, 2021 improving from 2.37x and 2.68x respectively, as on March 31, 2020. The interest coverage ratio has improved to 2.03x in FY21 from 1.64x in FY20 on account higher export turnover in FY21. Further the gearing has improved to 2.02x as on Sep 30, 2021 due to accretion of profit to net worth.

Key Rating Weaknesses**Impact of government regulations:**

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. 258.94 Crores as on March 31, 2021. 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. 55.01 Crores and loan and advances of Rs. 63.53 Crores as on March 31, 2021. Therefore, going forward in the event of any further loan and advances funded through debt to group companies will be key rating sensitivity.

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. Presently the company is paying the 10% coupon and has started paying the 20% coupon from Nov'21 onwards. However, considering the higher IRR, the company eventual liability will be higher than Rs.450cr. Therefore, considering the stretched liquidity position and high repayment, the financial risk profile of the company is impacted adversely.

Liquidity: Stretched

The operating cycle remained elongated at ~284 days as on March 31, 2021 but shorter than previous year's levels at ~303 days as on March 31, 2020. The current ratio and quick ratio of the company, however, improved to 3.10x and 1.78x respectively, as on March 31, 2021 to 2.70x and 1.59x respectively, as on March 31, 2020. However, the company has repayment of Rs. 27.29 Crores during FY22 and Rs. 27 Crores during FY23 and considering the GCA of Rs. 70.74 Crores during H1FY22, the liquidity appears adequate. However, the company has very high repayment due in FY25, for which it needs to create reserve and preserve liquidity.

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off
Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

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](#)

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.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22
Total operating income	785.83	879.71	485.07
PBILDT	175.89	203.62	118.93
PAT	-20.79	-4.40	42.60
Overall gearing (times)	2.59	2.30	2.02
Interest coverage (times)	1.64	2.03	2.46

A: Audited

Status of non-cooperation with previous CRA: Nil

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 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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	40.00	CARE BB-; 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		-	-	-	28.45	CARE BB-; Stable / CARE A4
Debentures-Non Convertible	INE915B07024	June 13,	10%	June 12,	424.50	CARE BB-; Stable

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off
Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	40.00	CARE BB-; Stable
Debentures		2018		2024		

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Debentures-Non Convertible Debentures	LT	424.50	CARE BB-; Stable	1)CARE B (CWD) (10-Aug-21)	1)CARE B; Stable (16-Sep-20)	1)CARE C; Stable (17-Sep-19)	1)CARE C; Stable (21-May-18)
2	Fund-based - LT-External Commercial Borrowings	LT	-	-	-	1)Withdrawn (16-Sep-20)	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 BB-; Stable	1)CARE B (CWD) (10-Aug-21)	1)CARE B; Stable (16-Sep-20)	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 (CWD) (10-Aug-21)	1)CARE A4 (16-Sep-20)	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*	28.45	CARE BB-; Stable / CARE A4	1)CARE B / CARE A4 (CWD) (10-Aug-21)	1)CARE B; Stable / CARE A4 (16-Sep-20)	1)CARE C; Stable / CARE A4 (17-Sep-19)	-

* Long Term / Short Term

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

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

Sr. No	Name of 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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off
Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

Contact us

Media Contact

Name: Mradul Mishra

Contact no.: +91-22-6754 3573

Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Amit Jindal

Contact no.:

Email ID: amit.jindal@careedge.in

Relationship Contact

Name: Mr. Anand Jha

Contact no.: +91-0172-4904000/1

Email ID: anand.jha@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited 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 Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited 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 Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited 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 Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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 Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited'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.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off
Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

CIN-L67190MH1993PLC071691