

Rating Update

May 23, 2023 | Mumbai

Albert David Limited

Update as on May 23, 2023

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

Upward Factors:

- Increase in revenue to over Rs 375 crore per fiscal with sustenance of operating profitability and healthy financial risk profile.
- Increase in operating efficiency through benefits of the newly enacted Division II (Marketing) in nine states and other initiatives of the management.

Downward Factors:

- Weakening of the capital structure or liquidity due to large, debt-funded capex or increased exposure to group companies
- Operating margin falls below 8% along with a significant drop in revenue
- Unfavourable impact of any regulatory change

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Albert David Limited (ADL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in 1938, the present promoter of ADL, the Kolkata-based Kothari group, acquired a controlling stake in 1965. The company's first facility was set up in Kolkata to manufacture pharmaceutical formulations in the form of parenteral drugs, tablets and syrups. In 1981, it set up a unit in Ghaziabad, Uttar Pradesh, to manufacture intravenous fluids in glass bottles and in polyethylene bottles based on form-fill-seal technology. Capacity to manufacture capsules, ointments and ophthalmological products was added to this unit later. The company outsources production of traditional medicines (herbal products). Its facilities follow Good Manufacturing Practices guidelines and produce both parenteral and non-parenteral formulations. It has a well-connected distribution network.

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Rating Rationale

April 29, 2022 | Mumbai

Albert David Limited

Ratings reaffirmed at 'CRISIL A-/Stable/CRISIL A1'

Rating Action

Total Bank Loan Facilities Rated	Rs.18.5 Crore (Reduced from Rs.70 Crore)
Long Term Rating	CRISIL A-/Stable (Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has reaffirmed its 'CRISIL A-/Stable/CRISIL A1' ratings on the bank facilities of Albert David Limited (ADL).

Also, CRISIL Ratings has withdrawn its rating on Rs 51.5 crore of proposed long-term bank loan facility at the company's request. This is in line with the CRISIL Ratings policy on withdrawal of bank loan ratings.

The ratings continue to reflect the adequate financial risk profile with ample liquidity, backed by steady accretion to reserve and no major debt-funded capital expenditure (capex) plan. The ratings also factor in the sound marketing and distribution network. These strengths are partially offset by a limited product profile, exposure to intense competition, and susceptibility to regulatory changes.

The topline of ADL has bounced back to pre-Covid-19 levels in fiscal 2022 with improvement in profitability despite an increase in input costs. Sustainability of revenue growth along with maintenance of improved profitability will be key rating drivers.

Key rating drivers and detailed description

Strengths:

- **Adequate financial risk profile**

A conservative financial policy and steady cash accrual have helped the company to maintain a strong capital structure and debt protection metrics. The adjusted gearing was 0.01 time as on March 31, 2021, while net cash accrual to adjusted debt and adjusted interest coverage ratios were 18.76 and 48.24 times, respectively, for fiscal 2021.

- **Established market position, particularly in placental extract-based drugs**

The company's placental-based formulation, Placentrex, is the only human placenta-based product in India developed through indigenous research. The company is the market leader in this segment and has a process patent over Placentrex, which mitigates competition risk. It is among the top 100 pharmaceutical companies in India (ranked 57th) as per June 2016 rankings of the All-India Organisation of Chemists and Druggists, with a strong presence in the eastern and northern parts of the country.

Weaknesses:

- **Limited product profile in intensely competitive segments**

The product portfolio is largely restricted to acute therapeutic segments such as anti-bacterials, anti-infectives, and placental extracts, where competition is intense.

- **Susceptibility to regulatory changes**

Players in the pharmaceutical industry are exposed to regulatory changes. For instance, the ban on 344 fixed-dose combinations in fiscal 2016 and revision in drug price control order in 2013 that brought more drugs under price control, affected the industry adversely. ADL was also impacted by a ban (which was later lifted) on placental extract-based drugs in February 2011 because of safety concerns.

Liquidity: Strong

Bank limit utilisation was nil for the 13 months ended March 2021. Expected cash accrual of over Rs 30-35 crore per annum, which along with nil term debt obligation will cushion liquidity.

The company has more than Rs. 170 crores of cash & bank balances/ cash equivalents/ marketable securities as on 31st March 2022.

Current ratio was healthy at 2.64 times on March 31, 2021.

Outlook: Stable

CRISIL Ratings believes ADL should maintain its adequate financial risk profile, backed by healthy capital structure and debt protection metrics. The business risk profile is likely to remain supported by the established position of the company in the pharmaceutical industry, especially in the anti-inflammatory segment.

Rating sensitivity factors**Upward Factors:**

- Increase in revenue to over Rs 375 crore per fiscal with sustenance of operating profitability and healthy financial risk profile.
- Increase in operating efficiency through benefits of the newly enacted Division II (Marketing) in nine states and other initiatives of the management.

Downward Factors:

- Weakening of the capital structure or liquidity due to large, debt-funded capex or increased exposure to group companies
- Operating margin falls below 8% along with a significant drop in revenue
- Unfavourable impact of any regulatory change

About the company

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Key financial indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	245.75	319.07
Reported profit after tax (PAT)	Rs crore	23.07	18.36
PAT margin	%	9.01	6.01
Adjusted debt/Adjusted networth	Times	0.01	0.01
Interest coverage	Times	25.16	35.37

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	10	NA	CRISIL A-/Stable
NA	Foreign Exchange Forward	NA	NA	NA	0.50	NA	CRISIL A1
NA	Proposed long-term	NA	NA	NA	51.5	NA	Withdrawn

	bank loan facility						
NA	Letter of Credit	NA	NA	NA	3.0	NA	CRISIL A1
NA	Bank Guarantee	NA	NA	NA	5.0	NA	CRISIL A1

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	62.0	CRISIL A-/Stable / CRISIL A1		--	01-02-21	CRISIL A-/Stable	27-02-20	CRISIL A-/Positive		--	CRISIL A-/Stable
Non-Fund Based Facilities	ST	8.0	CRISIL A1		--	01-02-21	CRISIL A1	27-02-20	CRISIL A1		--	CRISIL A1

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	5	CRISIL A1
Cash Credit	10	CRISIL A-/Stable
Foreign Exchange Forward	0.5	CRISIL A1
Letter of Credit	3	CRISIL A1
Proposed Long Term Bank Loan Facility	51.5	Withdrawn

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for the Pharmaceutical Industry
CRISILs Criteria for rating short term debt

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