

Rating Advisory

November 22, 2021 | Mumbai

Amrutanjan Health Care Limited

Advisory as on November 22, 2021

This rating advisory is provided in relation to the rating of Amrutanjan Health Care Limited

The key rating sensitivity factors for the rating include:

Upward Factors

- * Revenue growth of over 20% in fiscal 2021 and increase in operating margin to 16% leading to better cash accrual.
- * Geographical diversification in revenue profile.

Downward factors

- * Decline in operating profitability to less than 9% and revenues by 25%.
- * Any large debt funded capex adversely impacting financial risk profile.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Amrutanjan Health Care Limited (AHCL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If AHCL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Set up in 1893 by the late Mr K Nageswara Rao Pantulu, the Chennai-based AHCL produces ayurvedic OTC healthcare products. Operations are managed by chairman and managing director, Mr Sambhu Prasad. The company's products primarily focus on pain relief, congestion management, and personal hygiene under the brands, Kick out Pain, Relief, and Purity, respectively. AHCL also sells beverages under the brand Fruitnik, and sanitary napkins under the brand, Comfy.

AHCL is listed on the Bombay Stock Exchange and National Stock Exchange.

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Rating Rationale

December 02, 2020 | Mumbai

Amrutanjan Health Care Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.20 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 has reaffirmed its ratings on the bank facilities of Amrutanjan Health Care Limited (AHCL) at 'CRISIL A-/Stable/CRISIL A1'.

The ratings reflects strong brand call and established market position in the pain relief segment with a wide distribution network, and a strong financial risk profile. These rating strengths are partially offset by susceptibility of the operating margin to volatility in raw material prices and to intense competition in its other segments.

Key Rating Drivers & Detailed Description

Strengths:

*** Strong brand recall in the pain management segment and established distribution network:** AHCL has been manufacturing ayurvedic balm for pain management since 1893, and is currently managed by the third-generation of promoters. Because of its long track record in the industry, it has an established market position and strong brand recall in the pain management segment. The established distribution network is being leveraged to expand into new geographies and product categories. All the segments majorly including OTC, pain balm, beverages, sanitary pads and others are contributing to the overall growth of the company.

*** Strong financial risk profile:** Financial risk profile should remain healthy, backed by steady cash accrual, a comfortable capital structure and strong debt protection metrics. Networth stood at Rs 198.87 crore as on March 31, 2020. Debt protection metrics were healthy, indicated by interest coverage of 92.5 times in fiscal 2020. Total Outstanding liability to Total Networth stood strong at 0.25 times as on March 31, 2020. The metrics should remain strong, supported by stable cash accrual.

Weakness:

*** Vulnerability to fluctuations in raw material prices:** The operating margin has been volatile at 12-18.4% in the five fiscals through 2020, mainly on account of fluctuation in the price of key ingredient, menthol. Prices and supply of raw materials directly affect realisation and any sharp change in input prices with absence of a similar rise in realisations can dent profitability significantly.

*** Limited pricing flexibility because of intense competition:** The scale of operations has remained moderate despite more than 10 decades in the industry. In pain and congestion management, the company continues to face competition from large established brands, limiting its pricing flexibility. Additionally, there are challenges in other segments such as beverages, largely on account of intense competition from local and established brands.

Liquidity Strong

Liquidity remains strong supported by steady accruals and nil utilization of bank limits. The company is likely to report cash accruals of over Rs.26 crores in the medium term, against no repayment obligations. Bank limit utilization remain nil during the past fifteen months, ended September 2020. Further, an efficient working capital management and adequate cash and bank balances will continue to support the liquidity for the company.

Outlook: Stable

CRISIL believes ACHL's business risk profile will remain supported over the medium term by its established regional market position in pain management products.

Rating Sensitivity Factors

Upward Factors

- * Revenue growth of over 20% in fiscal 2021 and increase in operating margin to 16% leading to better cash accrual.
- * Geographical diversification in revenue profile.

Downward factors

- * Decline in operating profitability to less than 9% and revenues by 25%.
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About the Company

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Key Financial Indicators

As on/for the period ended March 31	Unit	2020	2019
Operating income	Rs crore	261.88	253.65
Reported profit after tax	Rs crore	25.02	24.45
PAT margins	%	9.58	9.66
Adjusted Debt/Adjusted Networkth	Times	0.00	0.00
Interest coverage	Times	92.48	158.55

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Level	Rating Assigned with Outlook
NA	Secured Overdraft against term deposits	NA	NA	NA	2.0	NA	CRISIL A-/Stable
NA	Cash Credit	NA	NA	NA	8.0	NA	CRISIL A-/Stable
NA	Overdraft	NA	NA	NA	2.0	NA	CRISIL A1
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	8.0	NA	CRISIL A-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	20.00	CRISIL A-/Stable/ CRISIL A1			24-12-19	CRISIL A-/Stable/ CRISIL A1	12-09-18	CRISIL A-/Stable/ CRISIL A1	24-08-17	CRISIL A-/Positive/ CRISIL A1	CRISIL A-/Positive
Non Fund-based Bank Facilities	LT/ST		--		--		--		--		--	CRISIL A1

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount	Rating	Facility	Amount	Rating

	(Rs.Crore)			(Rs.Crore)	
Cash Credit	8	CRISIL A-/Stable	Cash Credit	8	CRISIL A-/Stable
Overdraft	2	CRISIL A1	Overdraft	2	CRISIL A1
Proposed Long Term Bank Loan Facility	8	CRISIL A-/Stable	Proposed Long Term Bank Loan Facility	8	CRISIL A-/Stable
Secured Overdraft against term deposits	2	CRISIL A-/Stable	Secured Overdraft against term deposits	2	CRISIL A-/Stable
Total	20	--	Total	20	--

Links to related criteria

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