



Press Release

Amri Hospitals Limited

April 22, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 260.00 Cr.
Long Term Rating	ACUITE A- (SO)/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A- (SO)**' (read as **ACUITE A minus Structured Obligation**) to the Rs. 260.00 crore bank facilities of AMRI HOSPITALS LIMITED (AHL). The outlook is '**Stable**'.

AHL, a Kolkata based company was incorporated in 1986 by Mr. Ashish Goenka and Mr. Rupak Barua. The company runs three multi-specialty hospitals in Kolkata (Dhakuria, Salt lake and Mukundpur) and one at Bhubaneswar. Further, it also runs a diagnostic center at Kolkata. The total in-take capacity is 908 beds. The Kolkata-based, Emami Group holds 98.03 per cent stake in AHL with the balance 1.97 percent held by Government of West Bengal as on December 31, 2018.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of AHL and has factored credit enhancement in the form of structured payment mechanism, pledge of shares of Emami Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Rating driven by pledge of shares of Emami Limited

The rated bank facilities of AHL are secured by way of pledge of fully paid up unencumbered shares of Emami Limited held by Diwakar Viniyog Private Limited in addition to the movable and immovable assets of the company. The asset coverage ranges from 1.1x to 1.3x across the three banks. Apart from the asset coverage, the sanction terms also stipulate the timelines for top up in case of shortfall in collateral cover and invocation of pledge. Diwakar Viniyog Private Limited (pledger entity) is one of the investment companies of the promoters of the Emami Group, holding 12.92 per cent of the group's shares as on March 31, 2019. Diwakar Viniyog Private Limited, Bhanu Vyaapar Private Limited and Suntrack Commerce Private Limited (promoter group companies) have also extended corporate guarantees to the bank facilities of AHL.

Further, the rating also factors in support extended by the group to the company in the form of unsecured loans. Since, the operational cash flows of AHL are currently inadequate to service its debt obligation; the continuous support from the Emami group will be a key rating sensitivity factor. The rating also factors in the adherence to the security cover against pledge of shares to be maintained at all times.

- **Long track record and established position of the Emami Limited in FMCG sector**

Emami Limited, the flagship company of the group was incorporated in 1974. Promoted by Mr. R. S. Agarwal and Mr. R. S. Goenka, the company is one of the leading FMCG companies in India with portfolio of over 300 products (ayurvedic formulations, herbal, cosmetic, personal and healthcare products comprising oil, talc, cream, balm, medicine). The major brands of the company are Navratna Oil, BoroPlus, Zandu & Mentho Plus, Fair & Handsome, Kesh King and Navratna Cool Talc.

Emami Limited, headquartered in Kolkata, has presence in 60 countries with eight overseas subsidiaries, 3250 distributors, 6500 sub-distributors with direct reach across 7.3 lakh retail outlets.

Emami Limited reported operating income of Rs. 2,533 crore and net profit of Rs. 306 crore for FY2018.

The net worth of Emami Limited stood at Rs. 2,014 crore and debt-to-equity at 0.16 times as on March 31, 2018. The total market capitalisation stood at Rs. 17,851 crore as on April 16, 2019. The promoters holding stood at 62.74 per cent as on March 31, 2019 out of which 47.68 per cent shares is pledged.

Acuite believes that the Emami group will benefit from its established position in FMCG sector and proven strategy of scaling up operations through a mix of organic and inorganic initiatives.

Weaknesses

- **Subdued operating metrics**

AHL's operating revenues stood at Rs. 460.36 crore in FY2018 as against Rs. 351.60 crore and Rs. 282.16 crore in FY2017 and FY2016, respectively. AHL posted operating profits of Rs. 15.99 crore in FY2018, against Rs. 20.99 crore in FY2017 and net loss of Rs. 3.83 crore in FY2016.

The tangible net worth declined to Rs. 68.13 crore as on March 31, 2018 against Rs. 155.04 crore as on March 31, 2017. The gearing levels stood at 17.81 times as on March 31, 2018 as against 6.68 times as on March 31, 2017. The total debt of Rs. 1,213.56 crore outstanding as on March 31, 2018 comprises Rs. 745.52 crore of long term loans, Rs. 154.84 crore as Non-convertible debentures, Rs. 19.40 crore as unsecured loans from promoters and Rs. 109.13 crore of short term borrowings.

Acuite believes that the financial risk profile will continue to be below average on account of regular expansion plans and lower cash accruals of the company and the servicing of debt will be contingent on ongoing support from the Emami Group.

- **Risk arising from adverse movement in stock prices**

The rating is based on the structured payment mechanism and pledge of shares of Emami Limited. As per the sanctioned terms, the borrower has to maintain minimum asset coverage between 1.1x to 1.3x times of the facility amount. The ability of the promoters to maintain the share pledge asset coverage is central to the rating. Since the stock market is prone to volatility, occurrence of events such as slowdown in FII flows, sharp depreciation in domestic currency, political events, and other such macroeconomic events, can cause decline in stock prices.

Additionally, company specific factors can also influence movements in stock prices. Any sharp and continuous decline in share prices could potentially lead to challenges in adhering to the covenants.

Liquidity Position:

AHL is supported by the promoter's ability for repayment of debt that has been reflected from refinancing of maturing debt through fresh issuances. The company is also supported by way of unsecured loans infused in the company through promoter and promoter group companies.

Outlook: Stable

Acuite believes that AHL will maintain a 'Stable' credit profile on the back of its association and continuous support from the Emami Group. The outlook may be revised to 'Positive' if AHL demonstrates significant improvement in its profitability and debt protection indicators. Conversely, the outlook may be revised to 'Negative' if AHL faces severe decline in its debt protection indicators owing to deterioration in the credit profile or if the shares of Emami Limited faces downfall in stock prices owing to occurrence of events considering stock market volatility.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	460.36	351.60	282.16
EBITDA	Rs. Cr.	15.99	20.99	-3.83
PAT	Rs. Cr.	-83.66	-49.89	-60.63
EBITDA Margin	(%)	3.47	5.97	-1.36
PAT Margin	(%)	-18.17	-14.19	-21.49
ROCE	(%)	-2.60	-1.56	-3.08
Total Debt/Tangible Net Worth	Times	17.81	6.68	4.33
PBDIT/Interest	Times	0.10	0.15	0.00
Total Debt/PBDIT	Times	89.73	69.24	3,111.52
Gross Current Assets (Days)	Days	83	86	82

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Criteria For Rating Of Securitized Transactions - <https://www.acuite.in/view-rating-criteria-29.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instruments	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jan-2018	Term loan I	Long Term	60.00	ACUITE A- (SO)/ Stable (Assigned)
	Term loan II	Long Term	100.00	ACUITE A- (SO)/ Stable (Assigned)
	Term loan III	Long Term	100.00	ACUITE A- (SO)/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loan I	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A- (SO)/ Stable (Reaffirmed)
Term loan II	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- (SO)/ Stable (Reaffirmed)
Term loan III	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- (SO)/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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