

Change in Rating Symbol

September 16, 2019

AMRI HOSPITALS LIMITED

Total Bank Facilities Rated	Rs. 260.00 Cr
Long Term Rating	ACUITE A- (CE) (Under rating watch with negative implications)

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 there is a revision in the rating symbol. The change to 'CE' suffix / removal of 'SO' suffix for the rated instrument(s) is not to be construed as any change in the rating or Acuite's credit opinion on the said instrument(s). The previous rating rationale is appended herewith for reference.

For the background note, please visit: [https://www.acuite.in/pdf/General%20Communication%20For%20Website%20\(1\).pdf](https://www.acuite.in/pdf/General%20Communication%20For%20Website%20(1).pdf)

Criteria for assigning ratings with 'SO' suffix: <https://www.acuite.in/view-rating-criteria-48.htm>

Criteria for assigning ratings with 'CE' suffix: <https://www.acuite.in/view-rating-criteria-49.htm>

Press Release

AMRI HOSPITALS LIMITED

July 02 2019

Rating Update



Total Bank Facilities Rated*	Rs. 260.00 Cr.
Long Term Rating	ACUITE A- (SO) (Under rating watch with negative implications)

* Refer Annexure for details

Rating Rationale

Acuite has placed the long-term rating of '**ACUITE A- (SO)**' (read as **ACUITE A minus Structured Obligation**) on the Rs. 260.00 crore bank facilities of AMRI HOSPITALS LIMITED (AHL) on 'Rating watch with negative implications'.

Acuite has placed AHL's rating on watch based on the recent announcement by the promoters of Emami Limited diluting 10 per cent of their stake in the company. Post this the revised promoter holding in Emami Limited has been reduced to 52.74 per cent. The proceeds of this stake dilution have been deployed towards repayment of borrowings based on pledge of promoter holding in Emami Limited. Acuite had sought details of the current borrowings from the management, post the above mentioned stake sale and we observe that the aggregate borrowings from various banks and NBFCs based on pledge of promoters shares still continue to be at elevated levels. Further, Acuite has observed that the stock prices of Emami Limited have been exhibiting a declining trend which could result in increased possibility of margin calls from some of these lenders.

The increased focus of the regulators on such borrowings and recent regulatory changes in respect of mutual fund exposures to pledge based borrowings could result in further challenges in raising funds through this route. Management of the company has indicated its intention to sell AHL's units, real estate properties and its cement assets held in Emami Cement Limited. Acuite is currently in discussions with the management to understand the current status of negotiations with potential buyers, the expected timelines for sale and the expected cashflows from these divestments. Since the promoter's stake is already at 52.74 per cent (both encumbered and unencumbered), Acuite is also seeking clarity on the promoter's stance in case of any further requirement of top-ups by the lenders.

About the Company

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.

About the Group

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.

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.

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 Securitised 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
22-April-2019	Term loan I	Long Term	60.00	ACUITE A- (SO)/ Stable (Reaffirmed)
	Term loan II	Long Term	100.00	ACUITE A- (SO)/ Stable (Reaffirmed)
	Term loan III	Long Term	100.00	ACUITE A- (SO)/ Stable (Reaffirmed)
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) (Under rating watch with negative implications)
Term loan II	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- (SO) (Under rating watch with negative implications)
Term loan III	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- (SO) (Under rating watch with negative implications)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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