



Press Release
AMRI Hospitals Limited
May 13, 2022
Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	260.00	ACUITE BBB+ CE Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	260.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE BBB+ (CE)**' (read as **ACUITE triple B plus credit enhancement**) on the Rs. 260.00 crore bank facilities of AMRI Hospitals Limited (AHL). The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy on withdrawal.

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.

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.

Unsupported (Standalone) Rating: ACUITE B+/ Negative

Key Rating Drivers

Strengths

Established position of 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, and 6500 sub-distributors with direct reach across 7.3 lakh retail outlets. Emami Limited reported operating income of Rs. 2,881 Cr and net profit of Rs. 455 Cr for FY2021. The net worth of Emami Limited stood at Rs. 2,076 crore and debt-to-equity at 0.05 times as on March 31, 2021. The total market capitalization stood at Rs. 21600 crore as on May 21, 2021. The promoters holding stood at 53.86 per cent as on March 31, 2021 out of which 31.42 per cent shares are pledged. Acuite believes that AHL will benefit from the established position of the Emami group in FMCG

sector.

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 is 1.3x in DCB bank. Diwakar Viniyog Private Limited (pledger entity) is one of the investment companies of the promoters of the Emami Group. Diwakar Viniyog Private Limited has 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.

Efficient working capital management

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 67 days as on March 31, 2021 as against 70 days as on March 31, 2020. The comfortable GCA days are primarily on account of comfortable inventory holding level of 10 days as on March 31, 2021, same as previous year. Further, the debtor period stood low at 54 days as on March 31, 2021 as compared to 57 days as on 31st March 2020. Going forward, Acuité believes that the working capital operations of the company will remain at same level as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weaknesses

Weak financial risk profile

The company's weak financial risk profile is marked by eroded network and poor debt protection metrics. The tangible net worth of the company was eroded due to continuous losses incurred by the company. The poor debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 0.53 times as on March 31, 2021 and Debt Service Coverage Ratio (DSCR) at 0.32 times as on March 31, 2021. Acuité believes that the financial risk profile will continue to be weak on account of 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 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.

ESG factor relevant for rating

Not Applicable

Assessment of adequacy of credit enhancement

Not Applicable

Rating Sensitivities

Not Applicable

Material covenants

None

Liquidity Position: Adequate

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. However, the company's liquidity is constrained by continuous losses incurred by

the company. Further, the current ratio stood weak at 0.15 times as on March 31, 2021.

Outlook: Stable
Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	615.45	654.55
PAT	Rs. Cr.	(91.67)	(98.67)
PAT Margin	(%)	(14.90)	(15.07)
Total Debt/Tangible Net Worth	Times	(7.52)	(12.54)
PBDIT/Interest	Times	0.53	0.40

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jun 2020	Term Loan	Long Term	25.00	ACUITE BBB+(CE) Negative (Downgraded from ACUITE A- (SO))
	Term Loan	Long Term	23.00	ACUITE BBB+(CE) Negative (Downgraded from ACUITE A- (SO))
	Term Loan	Long Term	68.75	ACUITE BBB+(CE) Negative (Downgraded from ACUITE A- (SO))
	Proposed Bank Facility	Long Term	143.25	ACUITE BBB+(CE) Negative (Downgraded from ACUITE A- (SO))
02 Jul 2019	Term Loan	Long Term	100.00	ACUITE A- (SO) (Ratings Under Watch)
	Term Loan	Long Term	100.00	ACUITE A- (SO) (Ratings Under Watch)
	Term Loan	Long Term	60.00	ACUITE A- (SO) (Ratings Under Watch)
22 Apr 2019	Term Loan	Long Term	100.00	ACUITE A- (SO) Stable (Reaffirmed)
	Term Loan	Long Term	60.00	ACUITE A- (SO) Stable (Reaffirmed)
	Term Loan	Long Term	100.00	ACUITE A- (SO) Stable (Reaffirmed)
17 Jan 2018	Term Loan	Long Term	60.00	ACUITE A- (SO) Stable (Assigned)
	Term Loan	Long Term	100.00	ACUITE A- (SO) Stable (Assigned)
	Term Loan	Long Term	100.00	ACUITE A- (SO) Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	143.25	ACUITE BBB+ CE Reaffirmed & Withdrawn
DCB Bank Limited	Not Applicable	Term Loan	31-12-2015	10.80	31-03-2027	23.00	ACUITE BBB+ CE Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	68.75	ACUITE BBB+ CE Reaffirmed & Withdrawn
RBL Bank	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE BBB+ CE Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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