

International Healthcare Limited

January 06, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.73	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	12.73 (Rs. Twelve Crore and Seventy-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from International Healthcare Limited to monitor the rating(s) vide e-mail communications dated August 2021 to December 24, 2021, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on International Healthcare Limited's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by International Healthcare Limited with CARE's effort to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

Detailed description of the key rating drivers

At the time of last rating on December 02, 2020, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies)

Key Rating Weaknesses

Small scale of operations

The company commenced its operations during 2009 and has a long standing track record of 10 years. However, the company had small scale of operations marked by total operating income and gross cash accruals of Rs. 47.51 crore and Rs. 4.07 crore respectively during FY21. The small scale limits the company's operational and financial flexibility in times of stress and deprives it of scale benefits.

Working capital intensive nature of operations

Operations of the company are working capital intensive in nature. Major sourcing of raw material for the company is from PVS Laboratories limited (PVS; a group company) followed by domestic suppliers from Andhra Pradesh and Tamil Nadu. The company receives a 120 day credit period for the raw material procured from PVS, whereas other domestic suppliers provide a credit period of 30 - 45 days. Further, the company maintains an average inventory of 40 to 50 days of raw material and finished goods. On the other hand, the company allows a credit period of 150 to 180 days as the majority of the customers are farmers and other small scale poultry and aquaculture companies, providing credit is necessary to stimulate demand. High competition and low off-take often necessitates longer credit period. These factors result in high working capital requirement for companies like IHCL

Inherent risk of disease outbreaks in the poultry and aquaculture business

With around 90% of the revenues coming from the domestic market and 65% being from the poultry and aquaculture segment, the revenues remain vulnerable to poultry and aquaculture related disease outbreak like Avian influenza (Bird flu) and varieties of lethal viral and bacterial diseases that may affect aquaculture species. However, the company's presence in diversified geography across the country through regional offices at west Bengal, Orissa, Gujarat and Andhra Pradesh, among others, mitigates the risk to some extent. Intense competition in a highly fragmented industry limits bargaining power. Intensely competitive and fragmented nature of the industry with presence of numerous small and medium-sized players limits its overall bargaining power. However, the company's established relationship with its major customers and established brand presence provides comfort to an extent.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths**Experienced Promoter and management team**

International Health Care Limited (IHCL) was promoted by Dr. Sessaiah V Pamulapati. Dr. Sessaiah V Pamulapati is a post graduate in Veterinary Sciences (Pharmacology and Toxicology) and has an experience of more than 30 years in the field of animal health care specialties. Dr. Sessaiah V Pamulapati completed his B.V Sc & A.H. from the college of veterinary Science, Tirupati. He is ably supported by a well-structured management team with about 120 employees in various divisions.

Group support through established group companies in healthcare and pharma industry

Dr. Sessaiah V Pamulapati is also the promoter of PVS group which comprises of 21 companies namely, PVS Laboratories Limited, International Health Care Limited, International Biologicals, Microcare Formulations, Indo American Technologies, Vetlife Pharmaceuticals, PVS Animal Health, PVS Agrovvet, American Pharma International, Icon Formulations, International Healthcare, Ger Man Biotech, Megavet Formulations, Vetmax Formulations, Nine Diamonds, First Choice Pharmaceuticals, Pvs Impex, All Care Pharmaceuticals, Viet Feeds (India) Pvt. Ltd., Herbal Remedies and Anu Labs. The group is engaged in manufacturing and marketing of animal health care products such as feed additives/premixes of vitamins, minerals, aminoacids, probiotics, enzymes, chemicals and antibiotics. The group has setup its business network in many Asian, African and European countries such as India, Vietnam, Taiwan, Turkey, Egypt, Sudan, UAE, Saudi Arabia, South Korea, Bangladesh, Nepal, Sri Lanka, Philippines and Bhutan.

Diversified Product Profile and clientele

The company is engaged in manufacturing animal healthcare products like vitamin/mineral supplements, feed supplements, probiotics, performance enhancers and treatment products for species like poultry, veterinary, companion animals and aquaculture species. The company has about 350 products in its portfolio with feed supplements from Aqua category contributing 71.20% of the total operating income during FY20. Further, the company has a diversified clientele base with more than 300 clients and has a long standing relationship with these clients. And all the clients are contributing not more than 2% of the total revenue.

Geographically diversified clientele

The company has developed a strong distribution network all over India over the years and has also setup business network in many countries like Bangladesh, Bhutan, Cambodia, Egypt, Ghana, Guyana, Korea, Myanmar, Nepal, Nigeria, Philippines, Sri Lanka, Sudan, Saudi Arabiya, Taiwan, UAE, Uzbekistan, Ukraine, Vietnam etc. During FY20, the company derived 94.83% of the total operating income from the domestic sales as against 90.45% during FY19. However, the company has a diversified clientele base within India with Andhra Pradesh contributing 38.70% to total domestic sales during FY19 followed by Odisha (22.01%), west Bengal (13.68%) and Gujarat (7.79%).

Stable operating income and profitability margins during FY20

The total operating income of the company remains stable at Rs.47.51 crore during FY21(Rs.45.35 crore during FY20) at the back of steady demand for animal health care products such as mineral supplements, feed supplements and probiotics in the domestic market. Profitability margins marked by PBILDT margin has improved from 12.22% in FY20 to 13.58% in FY21. The PAT margin of the company has also improved to 6.93% during FY21 (5.44% during FY20).

Moderate capital structure

The capital structure of the company marked by overall gearing detriorated to 1.14x as on March 2021 from 0.98x as on March 2020. The debt coverage indicators such as Total debt/GCA and Total debt/PBILDT stood at 4.71x and 2.97x in FY21. Further, interest coverage ratio stood comfortable at 5.55x in FY21 (4.80x in FY20s).

Analytical approach: Standalone**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Pharmaceutical](#)

About the Company

Incorporated in 2009, International Health Care Limited (IHCL) was promoted by Dr. Sessaiah V Pamulapati. Dr. Sessaiah V Pamulapati is a post graduate in Veterinary Sciences (Pharmacology and Toxicology) and has an experience of more than 30 years in the field of animal health care specialties. The company is engaged in manufacturing animal healthcare products like vitamin/mineral supplements, feed supplements, probiotics, performance enhancers and treatment products for species like poultry, veterinary, companion animals and aquaculture species. IHCL has a manufacturing unit located in Autonagar, Vijayawada, Andhra Pradesh. The manufacturing unit is accredited with cGMP, ISO 9001:2008, and ISO 14001:2004. Dr. Sessaiah V Pamulapati is also the promoter of PVS group which comprises of 21 companies. The group is engaged in manufacturing and marketing of animal health care products such as feed additives/premixes of vitamins, minerals, aminoacids, probiotics, enzymes, chemicals and antibiotics. The group has setup its business network in many Asian, African and European

countries such as India, Vietnam, Taiwan, Turkey, Egypt, Sudan, UAE, Saudi Arabia, South Korea, Bangladesh, Nepal, Sri Lanka, Philippines and Bhutan.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	Q1/ H1/9MFY22
Total operating income	45.35	47.51	NA
PBILDT	5.54	6.45	NA
PAT	2.47	3.29	NA
Overall gearing (times)	0.98	1.14	NA
Interest coverage (times)	4.80	5.55	NA

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2025	7.73	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	7.73	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (02-Dec-20)	1)CARE BB; Stable (23-Oct-19)	-
2	Fund-based - LT-Cash Credit	LT	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (02-Dec-20)	1)CARE BB; Stable (23-Oct-19)	-

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 4: Bank Lender Details for this Company-Not Applicable

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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