

## Amanta Healthcare Limited

October 20, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B; Negative (Single B; Outlook: Negative) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4 (A Four) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00 (₹ Only)</b>		
<b>Fixed deposit</b>	<b>8.00</b>	CARE B; Negative; ISSUER NOT COOPERATING* [Single B; Outlook: Negative; ISSUER NOT COOPERATING*]	Reaffirmed at CARE B; Negative and moved to issuer Not Cooperating category
<b>Total medium term instruments</b>	<b>8.00 (Rs. Eight crore only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

CARE has been seeking information from Amanta Healthcare Limited (AHL) to monitor the rating(s) vide e-mail communications/letters dated June 16, 2022, September 16, 2022, September 21, 2022 and September 23, 2022 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 has reviewed the rating assigned to the Fixed deposit of AHL on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on AHL's Fixed deposit will now be denoted as CARE B; negative/CARE A4; 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 assigned to the bank facilities/Fixed deposit of Amanta Healthcare limited (AHL) takes into account its moderate scale of operations, leverage capital structure and weak debt coverage indicators, capital intensive nature of operations, vulnerability of AHL's profitability to volatile packing material prices and foreign exchange rate fluctuations, risk associated with quality assurance and storage of Intravenous Fluids (IVF) and its presence in highly competitive and price-controlled IVF market. The rating however is strengthened by vast experience of the promoters and its established and long track record in the IVF business. The ratings also takes into account exit of KKR with discount and replacement of part debt by NCD from Piramal Alternatives Private Limited.

CARE has reaffirmed and subsequently withdrawn the outstanding ratings of CARE B; negative /CARE A4 [Single B; Outlook: negative/ A Four] assigned to bank facilities of AHL with immediate effect. The above action has been taken at the request of AHL and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE

### Detailed description of the key rating drivers

*At the time of last rating on September 28, 2021 the following were the rating strengths and weaknesses (updated for the information available from Annual Report for the year ended as on March 31, 2022):*

#### Key rating weaknesses

##### **Moderate scale of operations with moderate profitability**

TOI of AHL improved by ~32% from Rs.171.58 crore during FY21 to Rs.225.76 crore during FY22. PBILDT margin stood stable at 22.69% during FY22 as against 22.60% during FY21. However, despite its healthy operating profitability, AHL reported losses

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

at PBT level in last three years ended as on March 31, 2021 due to increasing interest and finance cost and moderate depreciation. However, in FY22, AHL recorded a net profit of Rs. 55.11 crore, due to an exceptional gain of Rs. 74.66 crore owing to write-off of accrued interest by the lenders, which was part of the settlement deal, leading to an improvement in its net worth to Rs. 62.22 crore. In FY22, KKR India Financial Services Private Limited and its consortium debt was replaced with Piramal Alternatives Private Limited's debentures. GCA (GCA adjusted with extra-ordinary income) remained low at negative Rs.6.28 crore during FY22.

#### **Leverage capital structure and weak debt coverage indicators**

The capital structure of the company has improved on account of improvement in networth and reduction in debt levels due to repayment of KKR debt. However, it still remains high at 3.63x as on March 31, 2022. Overall debt coverage indicators also stood weak with negative GCA and PBILTD interest coverage stood weak at 1.07x in FY22.

#### **Susceptibility of its margins to volatile packing material prices and foreign exchange fluctuation**

The basic raw material for AHL is plastic granules apart from other bulk drugs and chemicals. Plastic granules are derivatives of crude oil which makes AHL's profitability susceptible to volatility in international crude oil prices. Moreover, AHL sources its raw material both from domestic and international markets. Hence, AHL is also exposed to adverse fluctuation in the foreign exchange rate in the absence of any active hedging policy. However, the risk is partially mitigated as AHL has natural hedge available with exports are more than its imports.

#### **Risk related to the quality assurance and proper storage**

IVF products are infused in patient body & directly mix with blood which is very critical to human health, and hence for these products, it is crucial that the hospitals and other customers who buy these products have adequate and proper storage facilities. Also, AHL faces a high reputation risk being in an industry that manufactures critical drugs to human health.

#### **Presence in price-controlled and competitive formulation industry**

Competitive pressure in the domestic formulation market has been rising steadily prompted by the significant increase in investments by domestic players in marketing efforts through expansion in field force, on the other hand, multinational companies have also renewed their focus on India. Further, Government regulations, including those implemented by the National Pharmaceutical Pricing Authority (NPPA), may also inhibit the industry growth and profitability. Though, the domestic formulations segment is expected to grow led by a rise in chronic diseases, increasing per capita income and improvement in access to healthcare facilities along with growing penetration of health insurance.

#### **Key rating strengths**

##### **Experienced promoters**

Rohit J. Patel is the founder and Chairman of AHL and has total work experience of more than 30 years. Mr. Bhavesh G. Patel, Managing Director, also has an experience of around two decades and actively looks after the day-to-day operations of the company. Further, AHL has well-qualified and experienced second-tier management with well-defined organizational structure and strong management information system to support the top management.

##### **Established and long track record of operations**

AHL is engaged in the manufacturing of LVP and Small Volume Parenteral (SVP) with the Blow-Fill-Seal (BFS) technology at its ISO certified and c-GMP compliant manufacturing facility where AHL can handle manufacturing and packaging of Sterile Liquid Parenteral from 5 ml to 1000 ml. The company has operational track record of around 25 years. Over the years, AHL has expanded its installed capacities on the back of effective utilization of capacities. AHL's product portfolio includes around 80 therapeutic and non-therapeutic products which include fluid therapy products, formulations (injections for various drugs like anti-bacterial, diuretic, and anti-fungal), ophthalmic, diluents, respiratory products and irrigation solution products. AHL also has a diversified clientele spread over more than 70 countries across five continents with major exports to Africa and Southeast Asia. Further, AHL has nearly 250 product registrations in various countries to serve export demand.

##### **Replacement of debt of KKR by Piramal at a discount**

AHL entered into an agreement with KKR to settle its debt with a discount comprising of interest accrued of Rs. 74.66 crore which has been written off by the lender. The same debt was replaced by infusion of promoters funds, term loans from bank (GECL) and NCD issued by Piramal Alternatives Private Limited.

##### **Liquidity - Stretched**

AHL has stretched liquidity marked by modest cash accruals and moderate operating cycle. Adjusted GCA (Adjusted for extraordinary income) of AHL stood at negative Rs. 6.28 crore during FY22 as against negative Rs. 4.50 crore during FY21.

Further, operating cycle of the company remained stretched but improved to 164 days in FY22 as against 204 days in FY21. Current ratio of the company remained moderate at 1.28x in FY22 as against 1.01x in FY21.

### Analytical approach

Standalone

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)  
[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Manufacturing Companies](#)  
[Policy on Withdrawal of Ratings](#)

### About the company

AHL (CIN: U24139GJ1994PLC023944) is a closely held public limited company promoted by Mr. Rohit J. Patel, Mr. Bhavesh G. Patel and other family members in 1995. AHL is engaged in the manufacturing of sterile liquid parenteral using Aseptic BFS technology at its ISO-certified and cGMP compliant manufacturing facility at Kheda, Gujarat, AHL's product portfolio comprises both LVP and SVP for fluid therapy, formulations, anti-biotic, anti-fungal, ophthalmic, diuretics and other injectable. As on March 31, 2021, AHL had an installed capacity of 1081 lakh bottles and 2,525 lakh bottles per annum of LVP and SVP, respectively.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	September 30, 2022 (UA)
Total operating income	171.58	225.76	NA
PBILDT	38.77	51.23	NA
PAT	-21.83	55.11	NA
Overall gearing (times)	37.88	3.63	NA
Interest coverage (times)	0.97	1.07	NA

A: Audited; UA: Un-audited; NA:- Not available

### Status of non-cooperation with previous CRA: Not applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Working Capital Demand loan	-	-	-	April 2022	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Proposed non fund based limits	-	-	-	-	0.00	Withdrawn
Fixed deposit	-	-	-	3 to 36 months	8.00	CARE B; Negative; Issuer Not Cooperating

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (05-Feb-20) 2)CARE BB+; Stable (28-Jun-19)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B; Negative (28-Sep-21)	1)CARE BB; Stable (09-Sep-20)	1)CARE BB+; Stable (05-Feb-20) 2)CARE BB+; Stable (28-Jun-19)
3	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A4 (28-Sep-21)	1)CARE A4 (09-Sep-20)	1)CARE A4+ (05-Feb-20) 2)CARE A4+ (28-Jun-19)
4	Non-fund-based - ST-Proposed non fund based limits	ST	-	-	-	1)CARE A4 (28-Sep-21)	1)CARE A4 (09-Sep-20)	1)CARE A4+ (05-Feb-20) 2)CARE A4+ (28-Jun-19)
5	Fixed Deposit	LT	8.00	CARE B; Negative; ISSUER NOT COOPERATING*	1)CARE B; Negative (22-Jun-22)	1)CARE B (FD); Negative (28-Sep-21)	1)CARE BB (FD); Stable (09-Sep-20)	1)CARE BB+ (FD); Stable (05-Feb-20) 2)CARE BB+ (FD); Stable (28-Jun-19)
6	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	1)CARE B; Negative (28-Sep-21)	1)CARE BB; Stable (09-Sep-20)	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:- NA****Annexure-4: 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-Working Capital Demand loan	Simple
3	Non-fund-based – ST-Letter of credit	Simple
4	Non-fund-based – ST-Proposed non fund based limits	Simple
5	Fixed Deposit	Simple

**Annexure-5: Bank lender details for this company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

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#### About us:

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