

Albert David Limited

September 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	10.50	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	8.00	CARE A; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The ratings assigned to the bank facilities of Albert David Limited (ADL) continue to derive strength from its experienced promoters with presence in diversified business segments, established market position in placenta-based drugs, and strong distribution network. The ratings also take into account improvement in operating profitability margins, comfortable capital structure with nil term debt, and strong liquidity position. The ratings are, however, constrained by moderate scale of operations, limited product profile in intensively competitive segments, foreign exchange fluctuation risk, and exposure to regulatory risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) beyond ₹500 crore along with sustained improvement in its profitability margins marked by PBILDT margin above 15%.

Negative factors

- Reduction in liquidity of the company below ₹100 crore on a sustained basis.
- Total debt to gross cash accruals (TD/GCA) above 0.50x on a sustained basis.
- Any un-envisaged debt-funded capital expenditure deteriorating its overall gearing ratio beyond 0.50x.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook is on account of CARE Ratings Limited's (CARE Ratings') belief on the sustenance of the company's operating margins with steady increase in the scale of operations and maintenance of comfortable capital structure and strong liquidity position of the company.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters having experience in diversified businesses

The G.D. Kothari group has diversified business interest in tea, textiles, pharmaceuticals, chemicals, engineering products, property, etc. A. K. Kothari, Chairman, is the son of Late G.D. Kothari, the founder of the group. He along with Umesh Kunte, Chief Executive Officer and Managing Director, is managing the day-to-day affairs of the company. The company is managed by experienced and qualified professionals who have relevant experience in the industry.

Established market position in placenta-based drugs

Placentrex, the main brand of ADL, contributed 21% of its revenue in FY23 (PY: 20%). The company's placental-based formulation, Placentrex, is the only human placenta-based product in India developed through indigenous research. The company is the market leader in this segment and has a process patent over Placentrex, which mitigates competition risk.

Furthermore, the company is carrying out a capex of ₹15 crore for setting up a new building for production of Miltefosine and Sodium Stibo Gluconate Injection (SSG) in the Kolkata facility. The same is expected to be fully funded by internal accruals. The plant is expected to be operational by December 2023. The company is the authorised supplier of SSG to WHO, and the same is being utilised for treatment of Kala-azar in African countries.

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

Press Release

Strong distribution network

The company has a strong presence in the market with a distribution network. The number of stockists under CFA pan India has grown from 2,271 as on March 31, 2022 to 2,335 as on March 31, 2023. The company derives majority of its TOI from domestic sales. During FY23, domestic revenue contributed to the highest share of the revenue (95%) followed by exports to South East Asian and some African countries.

The company has taken several measures to improve its sales. These include co-marketing agreement for its main product, viz., human-based placenta with an entity for a period of 6 years from October 2021 under 'Plakonta' brand, introduction of new products like Evacure (gynae product), C3H (orthopaedic product) and Evaston (gynae product), and tie-up with WHO for supply of SSG (anti-biotic used in treatment of Kala-zar) to African countries.

Diversified clientele base

ADL has a diversified client base with no single customer contributing more than 5% of net sales. The customers are major pharmaceuticals distributors in India. The revenue from top five clients stood at 17% during FY23 as against 18% during FY22. The company also has long-standing relations with all major distributors in India.

Comfortable capital structure

The company's capital structure remains comfortable with overall gearing at 0.02x as on March 31, 2023 (PY: 0.02x as on March 31, 2022). The company has not availed any term loans. With no major capex planned in the near future, and expected to be met out of internal accruals, CARE Ratings expects the capital structure to remain robust.

Key weaknesses**Moderate scale of operations**

ADL's income from operations witnessed y-o-y growth of 9% in FY23 to ₹341.56 crore as against TOI of ₹313.54 crore in FY22. Although TOI of ADL improved, the same continues to remain moderate. The PBILDT margin has remained stable at 13.02% in FY23 (PY: 13.06%). The company reported profit after tax (PAT) of ₹36.17 crore in FY23 vis-à-vis PAT of ₹35.26 crore in FY22.

Exposure to regulatory risk

The pharmaceutical industry is highly regulated in many other countries and requires various approvals, licenses, registrations and permissions for business activities. The approval process for a new product registration is complex, lengthy and expensive. The time taken to obtain approval varies from country to country but generally takes from six months to several years from the date of application. CARE Ratings notes that any delay or failure in getting approval for new product launch could adversely affect the business prospects of the company.

Foreign exchange fluctuation risk

The company imports raw materials, viz., lactose, amino acids, etc., from European countries, which in foreign currency risk. Similarly, the company's exports are also exposed to the foreign currency risks. However, for ADL, the risk gets mitigated to a large extent as there is natural hedging through netting off the imports and exports.

Liquidity: Strong

The liquidity is marked by strong cash accruals of ₹43.33 crore against NIL debt repayment obligations in FY23. Furthermore, ADL is having liquid investments in the form of cash and bank balances amounting to ₹1.45 crore, fixed deposits in banks amounting to ₹39.27 crore and liquid investments in mutual funds and bonds of ₹166.78 crore as on March 31, 2023. With a gearing of 0.02x as on March 31, 2023, the company has sufficient gearing headroom, to raise additional debt for its capex. However, the company relies on its internal accruals for its capex. The average working capital utilisation levels stood less than 5% (as articulated by the lender).

Environment, social, and governance (ESG) risks- Not applicable**Applicable criteria**

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About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Incorporated in 1938, the company was acquired by the Kolkata-based Kothari Group in 1965. The company set up its first manufacturing facility in Kolkata to manufacture pharmaceutical formulations in the form of drugs, tablets and syrups. Later in 1981, it set up a manufacturing unit in Ghaziabad, Uttar Pradesh, to manufacture intravenous fluids in glass bottles and in polyethylene bottles based on form-fill-seal technology. Gradually, the company installed capacity to manufacture capsules, ointments and ophthalmological products in its Ghaziabad unit. The company's manufacturing facilities are located in Kolkata (West Bengal) and Ghaziabad (Uttar Pradesh). The company's manufacturing facilities are GMP-certified by national agencies. The company offers a wide range of formulations under its various brands in the domestic market. Its placental-based formulation, Placentrex, is the only human placenta-based product in India developed through indigenous research. It has emerged as the market leader in this segment and has a process patent over Placentrex.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	313.54	341.56	91.95
PBILDT	40.96	44.47	13.01
PAT	35.26	36.17	23.49
Overall gearing (times)	0.02	0.02	NA
Interest coverage (times)	60.95	76.18	162.62

A: Audited, UA: Unaudited, NA: Not available, Note: 'The above financials are the latest available'.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd: Not applicable

Disclosure of Interest of Managing Director & CEO: Not applicable

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

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

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		-	-	-	10.00	CARE A; Stable
Non-fund-based - LT-Forward contract/derivative limit		-	-	-	0.50	CARE A; Stable
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	5.00	CARE A; Stable / CARE A1
Non-fund-based - LT/ ST-Letter of credit		-	-	-	3.00	CARE A; Stable / CARE A1

Press Release

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 2023-2024	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
1	Non-fund-based - LT/ ST-Bank guarantee	LT/ST*	5.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (30-Mar-23)	-	-
2	Fund-based - LT-Cash credit	LT	10.00	CARE A; Stable	-	1)CARE A; Stable (30-Mar-23)	-	-
3	Non-fund-based - LT/ ST-Letter of credit	LT/ST*	3.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (30-Mar-23)	-	-
4	Non-fund-based - LT-Forward contract/derivative limit	LT	0.50	CARE A; Stable	-	1)CARE A; Stable (30-Mar-23)	-	-

*Long term / Short term

Annexure-3: Detailed explanation of the covenants of the rated instrument / facilities- NA

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - LT-Forward contract/derivative limit	Simple
3	Non-fund-based - LT/ ST-Bank guarantee	Simple
4	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instrument: 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 for any clarifications.

Contact us

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About us:

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