

Emami Frank Ross Limited

April 03, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE BBB; Stable and Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB; Stable assigned to bank facilities of Emami Frank Ross Limited (EFRL) with immediate effect. The above action has been taken at the request of Emami Frank Ross Limited and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE Ratings.

Ratings continue to derive strength from it being a part of the established Emami group and continued support from the group in the form of unsecured loans and pledge of promoter holding in the flagship entity Emami Limited (EL; rated 'CARE AA+; Stable/ CARE A1+') for a large part of the external debt availed in EFRL. Timely need-based support from the group is expected to continue for loss funding and meeting debt repayment obligations, as and when required in the future as well. Ratings also factor in EFRL's long track record of operations with growing number of retail pharmacy outlets and tie-up with hospitals and corporates for sale of its pharmacy products. Ratings take note of the improving total operating income (TOI) in FY24 (refers to the period April 01 to March 31) with more stores opened in the pharma division in multiple regions guided by demand for pharmaceutical products which slightly moderated in 9MFY25 due to conclusion of contract with AMRI hospitals in March 2024.

Ratings continue to remain constrained by the losses reported in FY24 and 9MFY25, high debt level with a negative net worth, exposure to group/associate entities, geographical concentration risk, competitive industry and capital-intensive nature of business.

Analytical approach: Standalone. Ratings additionally factor in the financial flexibility of the Emami group in raising resources and demonstrated fund support to EFRL by the group.

Outlook: Stable

The stable outlook reflects the expectation of continued need-based timely financial support to EFRL from its strong promoter group as demonstrated in the past.

Detailed description of key rating drivers:

Key strengths

Strong financial flexibility of the Emami group along with demonstrated financial support to EFRL

EFRL belongs to the Kolkata-based Emami group with EL being the flagship company of the group. The group is one of the leading manufacturers of herbal and Ayurveda products in personal, cosmetic and health care segments with market leadership in few of its products and presence across diverse business segments like paper, edible oil, real estate, hospitals, ball pen tips manufacturing, retail and pharmacy. The Emami group has demonstrated regular support towards funding losses and servicing of debt obligations. The promoter holding companies have pledged their shares in EL against which EFRL has been able to avail term loans to meet its long-term working capital requirements. Also, Need-based support in the form of unsecured loans have been flowing to the company from the group as and when required. EFRL's negative tangible net worth has been supported by such funding support from promoters.

Long track record of the company with growing number of pharmacy outlets

EFRL was established in 1906 and acquired by the Emami group in 1993. In 2008, the pharmacy business was merged into Emami Retail Private Limited (a group company engaged in retailing of books, stationery, toys and school bags, among others, under the name 'Starmark'). Over the years, EFRL has established its brand 'Frank Ross' majorly in West Bengal and Karnataka and is considered as one of the largest pharmacy retail chains in eastern India. The total number of pharmacies stood at 330 (28 owned and 295 on rented premises, 7 others on franchise basis) as on September 30, 2024 (326 as on March 31, 2024). With emphasis

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications

laid on opening stores in residential community to ensure demand stability, the company is also expanding in suburbs of West Bengal. EFRL has also been gradually closing its loss-making rented outlets in West Bengal, Odisha and Bihar among others. As on September 30, 2024, EFRL operates five 'Starmark' outlets, all in Kolkata.

Tie-up with hospitals and corporates; though impacted due to end of tie-up with AMRI Hospitals Ltd (AMRI)

EFRL had tie-up with AMRI which was a part of Emami group. Sales through AMRI contributed to ~15%-20% of EFRL's TOI. However, with sale of hospital to Manipal Group in FY24, the tie-up with AMRI has also ended, resulting in lower revenue. Apart from this, the company also sells medicine under Central Government Health Scheme (CGHS) by bidding in various tenders for the same. The company has tie-ups with various corporates for sale of its medicine and other pharma products. Sales through these channels comprise ~13% of the net sales of the pharma division of the company apart from the purely retail sales.

Key weaknesses

High debt levels with negative networth and exposure to group/associate entities

Owing to the continuous net losses reported by the company in the past, the net worth of the company continues to remain negative. The total debt (including lease obligations) increased to ₹891.68 crore as on March 31, 2024, from ₹761.79 crore as on March 31, 2023. However, the same has reduced to ₹827.40 crore in 9MFY25 with gradual repayment of term loan and non-convertible debentures with funds received through repayment of loans extended by EFRL to group companies. A large part of the debt is utilised to extend advances to group/associate entities with such advances declining to ₹443.67 crore in 9MFY25 from ₹531.47 crore as on March 31, 2024, against ₹465.06 crore as on March 31, 2023. With weak standalone debt coverage indicators, the company has been requiring support from the group to meet its fund requirements including external debt repayments.

Geographical concentration risk

A large part of EFRL's revenue (~80% to 85%) comes from West Bengal, as majority of the pharmacy outlets of EFRL (261 stores out of 330 stores as on September 30, 2024) are in West Bengal followed by Karnataka (37 store), Bihar, Chhattisgarh and Assam, among others. All the five stores of Starmark are located in Kolkata. Accordingly, the company is exposed to geographical concentration risk.

Continuous loss incurred in FY24 and 9MFY25

The TOI of EFRL witnessed a growth of ~9.02% y-o-y in FY24 on account of opening of new stores. Pharmacies and Starmark division constituted 94% and 6%, respectively of net sales in FY24 (91% and 9% respectively of net sales in FY23). With the termination of sales through AMRI hospitals in March 2024 the TOI have moderated in 9MFY25. PBILDT margin witnessed a decline from 6.72% in FY23 to 3.60% in FY24 and 3.86% in 9MFY25 due to addition of new stores during the year leading to lower absorption of fixed costs. The increase in debt levels in FY21 had led to a significant increase in interest costs, which continued at a similar level in FY24. However, the interest coverage is supported by the interest income booked by the company on loans advanced to group entities. With the revenue generated increasing significantly and moderation in PBILDT, the company incurred loss of ₹3.41 crore in FY24 compared to net loss of ₹3.94 crore in FY23.

Intensifying competition

While the demand prospects remain stable for pharma products, the company faces competition from other organised retail players, local stores and e-commerce in the pharmacy business. During the pandemic, the footfalls in stores witnessed a significant decline and people relied more on online purchases. Competition from e-commerce continues to remain a key threat. In stationery and other products retailing as well, the company faces intense competition.

Capital intensive and working capital intensive nature of business

EFRL's business is working capital intensive on account of high level of inventory that is required to be maintained to ensure ready availability of stock at its stores both in pharmaceuticals and 'Starmark' format stores. Owing to addition of new stores the inventory days increased in FY24 along with increase in inventory to sales ratio to 25.91% in 9MFY25 from 21.04% in 9MFY24. The company incurs capital expenditure for periodic renovation and opening of new stores, leading to reliance on borrowings to fund the same.

Liquidity: Adequate

EFRL maintains adequate liquidity out of fund support from promoter group entities. The company had free cash and cash equivalents of ~₹13.69 crore as on December 31, 2024. Shortfall in cash accruals, if any, for debt repayment is expected to be met out of fund infusion by promoters in the form of unsecured loans or repatriation of advances given to group entities. Most of the loans are backed by pledge of shares of EL. The average fund-based working capital limit utilisation in the 12-month trailing period ended November 30, 2024, stood at 95.90%.

Applicable criteria

[Policy on Withdrawal of ratings](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Retailing	Pharmacy retail

EFRL, currently belonging to the Emami group of Kolkata, was established in 1906 as a proprietorship firm by an Englishman, Frank Ross. In 1919, it was converted into a public limited company and was rechristened as Frank Ross Ltd (FRL). In 1993, FRL was acquired by the Emami group. In 2008, FRL was merged into Emami Retail Pvt. Ltd. The name of the merged entity was subsequently changed to EFRL. EFRL is engaged in retailing of pharma products under 'Frank Ross' pharmacies and books/stationery under 'Starmark' outlets, with majority of sales from pharmaceutical products. As on September 30, 2024, EFRL operated 330 'Frank Ross' pharmacies and five 'Starmark' outlets, having major presence in Kolkata, West Bengal.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	556.07	607.23	448.97
PBILDT	37.36	21.87	17.34
PAT	-3.94	-3.41	-5.31
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	0.58	0.31	0.35

A: Audited UA: Unaudited; NM: Not Meaningful as net-worth is negative; Note: these are latest available financial results
Prior year figures have been restated as per the audited financial statements of FY24.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - LT-Bank Guarantee		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for 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 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BBB; Stable (03-Apr-25)	1)CARE BBB; Stable (04-Apr-24)	1)CARE BBB; Stable (06-Apr-23)	-
2	Non-fund-based - LT-Bank Guarantee	LT	-	-	1)CARE BBB; Stable (03-Apr-25)	1)CARE BBB; Stable (04-Apr-24)	1)CARE BBB; Stable (06-Apr-23)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

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

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About us:

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