

## Dhruv Wellness Limited

December 30, 2020

### Ratings

| Facilities/Instruments       | Amount<br>(Rs. crore)                           | Rating <sup>1</sup>  | Rating Action  |
|------------------------------|---|--|--|
| Long Term Bank Facilities    | 15.00   | CARE D;<br>ISSUER NOT COOPERATING*<br>(Single D;<br>ISSUER NOT COOPERATING*) | Rating continues to remain under<br>ISSUER NOT COOPERATING category<br>and Revised from CARE BB-; Stable;<br>(Double B Minus; Outlook: Stable) |
| <b>Total Bank Facilities</b> | <b>15.00</b><br><b>(Rs. Fifteen Crore Only)</b> |  |  |

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 22, 2020, placed the rating(s) of Dhruv Wellness Limited (DWL) under the 'issuer non-cooperating' category as DWL had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. DWL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**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 revision in rating factors in default in the debt servicing and accounts of the company have been classified as non-performing assets (NPA).

### Detailed description of the key rating drivers

*At the time of last rating on August 27, 2020 the following were the rating strengths and weaknesses (updated for the information available from Bombay Stock Exchange and CIBIL):*

### Key Rating Weaknesses

**Default in debt servicing:** As per the annual reports for received for FY20, the company has defaulted on payments of interest and installments of banks and financial institutions and all the loan accounts are classified as Non-Performing Loans by respective lenders before year ended March 31, 2020. Further, as per the CIBIL records for the quarter ended September 30, 2020, the company and director names were appeared as willful defaulter against the bank facilities rated by CARE.

**Weak financial risk profile:** The scale of operation of the company remained moderate, however reflected fluctuating trend during past four years. Further, the TOI has significantly decreased by 63.80% to Rs.42.36 crore in FY20 (vis-à-vis Rs.117.05 crore in FY19) Further, the company has incurred operating and net loss of Rs.22.81 crore and Rs.24.67 crore respectively during FY20 which resulted to distressed debt coverage indicators during FY20. On account of the said losses, the tangible networth of the company has eroded to negative as on March 31, 2020.

**Stretched working capital cycle:** The operations of KEPL are working capital intensive in nature on account of funds being blocked in receivables and payables. The operating cycle of the company has significantly elongated to 156 days in FY20 from 93 days in FY19 due to stretched collection period from 69 days in FY19 to 129 days in FY20. The inventory period has also elongated to 56 days in FY20 from 48 days in FY19.

**Analytical approach:** Standalone

**Applicable criteria:**

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

[Criteria on assigning Outlook to credit ratings](#)

[CARE's policy on Default Recognition](#)

[CARE's Methodology for Wholesale Trading](#)

[Financial Ratios \(Non-Financial Sector\)](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

### About the Company

Established in 2005 by Mr. Pravinkumar Prajapati as a proprietorship entity, Dhruv Agency (DA, with Mrs. Anita Prajapati as the proprietor) was later converted into a private limited company and renamed as Dhruv Wellness Private Limited (DWPL) in March 2015, thereafter which it was converted into a public limited company and renamed as DWL in July 2017. The company is now listed on BSE, trading at Rs.19 per share with a market capitalization of Rs.20.03 crore as on October 28, 2017. DWL is engaged in trading & distributorship of various pharmaceutical & cosmetic products which are sold to various retailers and wholesalers mainly in the Western suburbs of Mumbai and outskirts also. Some of the said products are procured by the company directly from the principal manufacturers of the same for whom the company acts as a distributor, whereas the rest of the products are procured from other wholesalers of the same. Moreover, the company also undertakes manufacturing of ayurvedic medicines under its own brand "Dhruv", however such manufacturing is completely outsourced to Savita Health Care Private Limited.

| Brief Financials (Rs. crore) | FY19 (A) | FY20 (A) | H1FY20 (UA) |
|------------------------------|----------|----------|-------------|
| Total operating income       | 47.07    | 42.36    | 0.63        |
| PBILDT                       | 4.56     | (22.81)  | (2.42)      |
| PAT                          | 1.52     | (24.67)  | (2.41)      |
| Overall gearing (times)*     | 0.61     | NEG      | NEG         |
| Interest coverage (times)    | 2.15     | NEG      | NEG         |

A : Audited; UA: Unaudited; NEG: Negative

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      | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook  |
|-----------------------------|------------------|-------------|---------------|-------------------------------|--|
| Fund-based - LT-Cash Credit | -                | -           | -             | 15.00                         | CARE D; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information |

\*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 2020-2021             | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019              | Date(s) & Rating(s) assigned in 2017-2018 |
| 1.      | Fund-based - LT-Cash Credit            | LT              | 15.00                          | CARE D; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information | CARE BB-; Stable; ISSUER NOT COOPERATING* (22-Jun-20) | -   | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (28-Mar-19) | 1)CARE BB; Stable (10-Nov-17)             |

\*Issuer did not cooperate; Based on best available information

**Annexure 3: Complexity level of various instruments rated for this Company**

| Sr. No. | Name of the Instrument      | Complexity Level |
|---------|-----------------------------|------------------|
| 1.      | Fund-based - LT-Cash Credit | Simple           |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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