

Zydus Wellness Limited

October 29, 2020

Rating

Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debentures Issue	-	-	Withdrawn

Details of Instruments in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed Description of The Key Rating Drivers

CARE has withdrawn the outstanding ratings of 'CARE AA+; Stable' (Double A Plus; Outlook: Stable) assigned to the Non-Convertible Debentures (NCDs) of Zydus Wellness Limited (ZWL) with immediate effect. The above action has been taken at the request of ZWL and 'No Dues Certificate' received from the debenture trustee/debenture holder for the NCDs rated by CARE as these have been repurchased from the open market by ZWL and extinguished in full; consequently, there is no amount outstanding against these NCDs.

Analytical approach: Not Applicable

Applicable Criteria

[Policy on Withdrawal of ratings](#)

About the Company

ZWL is engaged in the manufacturing, branding and distribution of health food and personal care products. Earlier ZWL operated as a consumer product division of Cadila Healthcare Limited (CHL). During June 2006, CHL acquired majority equity stake in an already listed entity Carnation Nutra Analogue Foods Limited (Carnation). After acquisition of Carnation, CHL's consumer product division was de-merged from CHL and hived off to Carnation. Carnation was renamed as Zydus Wellness Limited in 2009. Originally, ZWL used to sell its products under three brands i.e. "Sugar-Free" (Sugar substitute), "Everyuth" (Skin Care) and "Nutralite" (Table spread) which are well-established brands in their respective categories.

In January 2019, CHL through its subsidiary ZWL, acquired Heinz India Private Limited (HIPL) (wholly owned subsidiary of Heinz Italia SPA) for a consideration of around Rs.4,600 crore. The deal included acquisition of business of HIPL's four brands Complian, Glucon-D, Nycil and Sampriti Ghee, its two manufacturing units in Aligarh (Uttar Pradesh) and Sitarganj (Uttarakhand) and all operational assets and liabilities along-with associated distribution network. The acquisition was funded through NCDs of Rs.1,500 crore raised by ZWL and rest through a mix of equity infusion (including from CHL and Zydus Family Trust) and internal accruals.

During October 2020, ZWL repurchased all the NCDs issued by it (and rated by CARE) from the open market and cancelled the same leading to extinguishment of the entire NCDs; consequently, there is no amount outstanding against the rated NCD. This repurchase was financed partly through infusion of equity by promoters (Zydus Family Trust - preferential allotment of Rs.350 crore) and institutional investors (QIP placement of Rs.650 crore; mainly domestic MFs), and partly through surplus liquidity available at its parent level i.e. CHL's level. CHL through its subsidiary has extended unsecured loans to ZWL.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	FY20 (A)
	Consolidated		
Total operating income	536	863	1,772
PBILDT	145	195	327
PAT	137	171	142
Overall gearing (times)*	0.04	0.46	0.43
PBILDT Interest coverage (times)	85.21	6.47	2.33

A – Audited *Considering acquired goodwill of Rs.3,797 crore as fixed assets and part of its net worth.

As per its published results on the stock exchange, on a consolidated basis, ZWL reported a PAT of Rs.89 crore on a total operating income (TOI) of Rs.537 crore during Q1FY21 as against a PAT of Rs.80 crore on a TOI of Rs.623 crore during Q1FY20.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Complexity level of instrument rated for the company: Please refer Annexure-3

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	ISIN No.	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-Convertible Debentures	January 16, 2019	INE768C07017	-	-	-	Withdrawn
Non-Convertible Debentures		INE768C07025		-	-	
Non-Convertible Debentures		INE768C07033		-	-	

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Non Convertible Debentures	LT	-	Withdrawn	1)CARE AA+; Stable (02-Jan-20)	1)CARE AA+; Stable (31-Dec-18)	-	-

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Non-Convertible Debentures	Complex

Annexure 4: List of entities Consolidated in ZWL

Sr. No.	Name of the entity	% Shareholding by ZWL as on March 31, 2020	Nature of relationship
1	Liva Nutritions Limited	100.00%	Subsidiary
2	Liva Investments Limited	100.00%	Subsidiary
3	Zydus Wellness Products Limited	98.63%	Subsidiary
4	Zydus Wellness International DMCC	100.00%	Subsidiary

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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