

**RATING RATIONALE**

**Anlon Healthcare Pvt Ltd**

**Brickwork Ratings revises ratings for the Bank Loan Facilities of ₹ 27.52 Crores of Anlon Healthcare Pvt Ltd**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2019)	Present
Fund Based	14.70	18.52	Long Term	BWR B-Stable	BWR B+ Stable Upgrade
	4.50	9.00	Short Term	BWR A4	BWR A4 Reaffirm
Non Fund Based	2.50	-	Short Term		
<b>Total</b>	<b>21.70</b>	<b>27.52</b>	<b>INR Twenty Seven Crores and Fifty Two Lakhs Only</b>		

FOBP/FOUBP/FOBNLC/FOUBNLC amounting Rs.9.00 Cr. is the sub-limit of Packing Credit

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities in Annexure-I

**RATING ACTION / OUTLOOK**

Brickwork rating has upgraded the long-term of Anlon Healthcare Pvt Ltd (AHPL) at BWR B+ with a Stable Outlook on account of experienced promoters, strong financial risk profile and positive industry outlook.

The 'stable' outlook indicates a low likelihood of a rating change in the medium term. BWR expects that the Company's performance is likely to be maintained in the medium term.

The rating, however, is constrained by regulated market, intense competition and fragmented nature of the industry and impact of Covid-19 Outbreak.

## KEY RATING DRIVERS

### Credit Strengths :

- **Experienced promoters :** The promoters have extensive industry experience for more than two decades in the field of pharmaceuticals which helps the company to maintain a healthy relationship with customers and suppliers.
- **Strong Financial Risk Profile :** In FY20 (Prov.) the company has reported Moderate Capital Structure with Tangible Net Worth (Analysed) of Rs.24.33 Cr, owing to which Gearing (Analysed) is low at 1.01X in FY20 (Prov). Debt servicing capabilities have been adequate, reflected by ISCR and DSCR at 3.80X and 1.54X in FY20 (Prov.). As per FY21 (Proj) both the ratios have been projected to further increase to 4.72X and 1.76X respectively depicting the ability of the firm to repay the interest and principal. Profitability Margins are above average. Operating Profit Margin and Net Profit Margin have been estimated to be at 24.17% and 13.51% respectively in FY20 (Prov.).
- **Positive Industry Outlook :** Despite the economic downturn, the Indian pharmaceutical industry is expected to grow due to consistent demand for generic drugs, both domestically and overseas. Currently, 70% of India's imports of APIs come from China and there was considerable disruption in the imports due to Covid-19 related shutdowns. Indian government has been taking active steps to reduce their dependence on China for the import of APIs which is the largest manufacturer of APIs. GOI has been focusing on the upliftment of the sector, pushing the local manufacturers to produce more. This will increase the demand of locally produced APIs, which is a positive for the company.

### Credit risks :

- **Regulated market :** Business operations are exposed to high regulations imposed by the government on product quality, prices and patent rights, increased sensitivities towards product performance, etc.
- **Intense Competition and fragmented nature of the industry :** The pharmaceutical industry is dominated by numerous independent, small-scale enterprises. High degree of fragmentation due to the presence of a large number of unorganized players has led to high competitive intensity in the sector
- **Impact of Covid-19 lockdown on the company :** The nationwide lockdown may disrupt the supply and demand in the short term. However, the company deals in essential commodities and was exempted from various restrictions during the lockdown period. The company started back its production activities on 19 April, 2020 which in turn may not impact the company's business as much.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Going forward, the company’s ability to maintain its current capital structure would be the key sensitivities over the short to medium term.

**Positive** : The rating outlook may be revised to positive if the company improves the topline and the bottomline. Maintaining the financial risk profile would also be the credit positive.

**Negative** : The rating may be downgraded if there is a significant dip in revenue leading to deterioration of profitability margins. Deterioration of current capital structure and liquidity position would be a credit negative.

## LIQUIDITY POSITION (Stretched)

AHPL’s operations are working capital intensive as a result of which the liquidity position of the company is stretched marked by an elongated conversion cycle of 157 Days in FY20 (Prov.), owing to the higher duration of time the company takes to sell its inventory. Below average current ratio in FY19 and FY20 (Prov) at 0.99X and 0.98X and other Liquidity indicators are stretched marked by low Cash and Cash Equivalents in FY20 (Prov) and average utilization of 100% in the CC Limit over the past 6 months. However the Net Cash Accruals are healthy in FY20 (Prov.) i.e. Rs.5.55 Cr. which are against the debt obligations of Rs.3.00 Cr.

## COMPANY PROFILE

Anlon Healthcare Pvt Ltd (AHPL) was incorporated in 2013 to manufacture Active Pharmaceutical Ingredients (APIs), primarily for export purpose. The company has a state-of-the-art plant in Rajkot, Gujarat. Anlon started commercial production in FY 2017-18. Since then, the company has added several new APIs and bulk drugs in its product list backed by its strong R&D capabilities. The promoters are all technically qualified and are Ph.D in chemistry and chemical processes.

## KEY FINANCIAL INDICATORS (in INR Cr)

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	29.81	3.78
EBITDA	₹ Cr	(0.15)	0.42
PAT	₹ Cr	(4.60)	(0.74)
Tangible Net worth (Analysed)	₹ Cr	20.69	20.44
Total Debt/Tangible Net worth (Analysed)	Times	0.90	0.90
Current Ratio	Times	0.99	1.07

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NIL**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY : NA**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

Instrument /Facility	Current Rating (October, 2020)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	October, 2019	2018	2017
<b>Fund Based</b>	Long Term	18.52	<b>BWR B+ Stable (Upgrade)</b>	BWR B- Stable Upgraded	-	-
	Short Term	9.00	<b>BWR A4 Reaffirmed</b>	BWR A4	-	-
<b>Non Fund Based</b>	Short Term	-				
<b>Total</b>		<b>27.52</b>	<b>₹ Twenty Seven Crores and Fifty Two Lakhs Only</b>			

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

Analytical Contacts	Investor Contacts
<p><b>Satvinder Kumar Gakhar</b> Associate Director - Ratings B :+91 11 2341 2232 satvinder.g@brickworkratings.com</p> <p><b>Aayush Verma</b> Ratings Analyst B :+91 11 2341 2232 aayush.v@brickworkratings.com</p>	<p><b>Liena Thakur</b> Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



**Anlon Healthcare Pvt Ltd**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	ShortTerm (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit	8.00	-	8.00
2		Packing Credit	-	9.00	9.00
3		Term Loan	10.52	-	10.52
<b>TOTAL</b>					<b>27.52</b>

FOBP/FOUBP/FOBnLC/FOUBnLC amounting Rs.9.00 Cr. is the sub-limit of Packing Credit

**Total Rupees Twenty Seven Crores and Fifty Two Lakhs only.**

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**About Brickwork Ratings :** Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.