

Rating Rationale

March 17, 2022 | Mumbai

Global Health Care Products

Rating Reaffirmed and Withdrawn

Rating Action

Total Bank Loan Facilities Rated	Rs.15 Crore
Long Term Rating	CRISIL BBB-/Stable (Rating Reaffirmed and Withdrawn)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its rating on the bank facilities of Global Health Care Products (GHCP) and subsequently **withdrawn** the rating at the company's request and on receipt of a no-objection certificate from the bankers. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of bank loan ratings.

Analytical Approach

Out of the total unsecured loan of Rs. 19.15 crores; upto Rs 14.35 crore has been treated as neither debt nor equity as the loan is likely to be retained in the business over the medium term, rest is treated as debt.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of the partners: Presence of over 20 years in the FMCG industry has enabled the partners to develop healthy relationships with customers. The firm has been associated with various clients such as Hindustan Unilever Ltd and Colgate Palmolive (India) Ltd and is now a contract manufacturer for GSK.

Above-average financial risk profile: Networth remained strong at Rs 37.68 crore and total outside liabilities to adjusted networth ratio was low at 0.63 time as on March 31, 2021. Debt protection metrics were healthy with interest coverage and net cash accrual to adjusted debt ratios at 7.34 times and 1.16 times, respectively, for fiscal 2021. The financial risk profile should remain above average over the medium term backed by healthy accretion to reserves and no debt-funded capital expenditure (capex).

Weakness:

High customer concentration risk: GHCP manufactures toothpaste for a single customer GSK. Therefore, the firm is susceptible to high customer concentration risk as its performance is directly linked to that of GSK. Further, operating performance mainly operating profitability is linked to contract terms. Any change in the same could adversely affect revenue and profitability for the firm.

Moderate scale of operations: Although on increasing trend, company's scale of operations continues to remain moderate with revenue of Rs. 170.28 crores for the fiscal ended 31st March 2021. Further scalability of the revenue will also depend on ability of the company to increase its capacity along with its ramp up.

Liquidity: Adequate

Bank limit utilisation is low at around 17 percent for the past twelve months ended 31st January 2021. Cash accruals are expected to be over Rs 7.35-7.85 crores against no term debt obligation over the medium term. In addition, it will be act as cushion to the liquidity of the company. Current ratio is healthy at 3.02 times on March 31, 2021. The promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations. High cash and bank balance of around Rs. 11 crores as on March 31, 2021. Low gearing and moderate net worth support its financial flexibility, and provides the financial cushion available in case of any adverse conditions or downturn in the business

Outlook: Stable

CRISIL Ratings believe GHCP's business risk profile will remain stable over the medium term due to the contract with GSK for next four years.

Rating Sensitivity Factors

Upward factors

- Sustained growth in revenues by 30% along with sustenance of operating margin, while maintaining the overall business risk profile including client relationships, leading to higher net cash accruals
- Stable working capital cycle and maintenance of capital structure

Downward factors

- Decline in revenues by over 15% or dip in operating margins leading to lower net cash accruals
- Increase in working capital requirement, larger-than-expected debt funded capex or acquisition, or more-than-expected capital withdrawals, weakening the financial risk profile, particularly liquidity.
- Any material changes, including termination or reduction in contracted volume, to key customer contracts

About the Firm

Set up in 1997, GHCP is a partnership concern promoted by Mr Vasudev Baburao Prabhu and his family. The firm manufactures toothpaste and has capacity of 15,000 tonne per annum.

Key Financial Indicators

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs.Crore	170.28	141.17
Reported profit after tax	Rs.Crore	7.13	7.39
PAT Margins	%	4.19	5.23
Adjusted Debt/Adjusted Networth	Times	0.16	0.08
Interest coverage	Times	6.79	8.38

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	4.5	NA	CRISIL BBB-/Stable (Rating Reaffirmed and Withdrawn)
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	10.5	NA	CRISIL BBB-/Stable (Rating Reaffirmed and Withdrawn)

Annexure - Rating History for last 3 Years

		Current		2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	15.0	CRISIL BBB-/Stable (Rating Reaffirmed and Withdrawn)		--	29-01-21	CRISIL BBB-/Stable		--	09-12-19	CRISIL BB+/Positive	CRISIL BB/Stable

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Cash Credit	4.5	CRISIL BBB-/Stable (Rating Reaffirmed and Withdrawn)
Proposed Long Term Bank Loan Facility	10.5	CRISIL BBB-/Stable (Rating Reaffirmed and Withdrawn)

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Bank Loan Ratings
Rating Criteria for Fast Moving Consumer Goods Industry

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