

Rating Rationale

Albert David Limited

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	10.50	CARE A; Stable	Reaffirmed
Long-term / short-term bank facilities	8.00	CARE A; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

Ratings assigned to bank facilities of Albert David Limited (ADL) continue to derive strength from its experienced promoters with presence in diversified business segments, established market position in placenta-based drugs, strong distribution network, diversified clientele base, comfortable capital structure with nil term debt and strong liquidity position. However, ratings are constrained by moderate scale of operations, product concentration risk, foreign exchange fluctuation risk, and exposure to regulatory risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increasing total operating income (TOI) beyond ₹500 crore and sustained improvement in its profitability margins marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 15% on a sustained basis.

Negative Factors

- Reducing liquidity below ₹100 crore on a sustained basis.
- Total debt to gross cash accruals (TD/GCA) above 0.25x on a sustained basis.
- Un-envisaged debt-funded capital expenditure deteriorating its overall gearing ratio beyond 0.20x.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook is considering CARE Ratings Limited's (CARE Ratings') belief on sustenance of the company's operating margins with steady increase in the scale of operations and maintenance of comfortable capital structure and strong liquidity position.

Detailed description of key rating drivers:

Experienced promoters having experience in diversified businesses

The G.D. Kothari group has diversified business interest in tea, textiles, pharmaceuticals, chemicals, engineering products, property, among others. A. K. Kothari, Chairman, is the son of Late G.D. Kothari, the founder of the group. He and Umesh Kunte, Chief Executive Officer and Managing Director, manage the company's day-to-day affairs. The company is managed by experienced and qualified professionals, who have relevant experience in the industry.

Established market position in placenta-based drugs albeit product concentration risk

Placentrex, the main brand of ADL, contributed 20% of its revenue in FY24 (PY: 21%). The company's placental-based formulation, Placentrex, is the only human placenta-based product in India developed through indigenous research. The company is the market leader in this segment and has a process patent over Placentrex, which mitigates competition risk. The company has carried out a capex of ₹14 crore for setting up a new building for production of Sodium Stibo Gluconate Injection (SSG) in the Kolkata facility. This was fully funded by internal accruals. The plant became operational by December 2023. The company is the authorised supplier of SSG to WHO, which is utilised for treatment of Kala-azar in African countries.

ADL deals in products where top five form 41% and 42% of total sales in FY24 and FY23 respectively.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Strong distribution network

The company has a strong presence in the market with a distribution network. The number of stockists under CFA pan India has grown from 2,335 as on March 31, 2023, to 2,427 as on March 31, 2024. The company has established marketing offices across cities including Mumbai, Kolkata, Lucknow, and Patna with a strong presence in the eastern and northern parts of the country. The company derives majority of its TOI from domestic sales. In FY24, domestic revenue contributed to the highest share of the revenue (93%) followed by exports to Southeast Asian and some African countries.

The company has taken several measures to improve its sales. These include co-marketing agreement for its main product, human-based placenta with an entity for six years from October 2021 under 'Plakonta' brand, introduction of new products such as Evacure (gynae product), C3H (orthopaedic product) and Evaston (gynae product), and tie-up with WHO for supply of SSG (anti-biotic used in treatment of Kala-zar) to African countries.

Diversified clientele base

ADL has a diversified client base with no single customer contributing more than 5% of net sales. Customers are major pharmaceuticals distributors in India. Revenue from top five clients stood at 18% in FY24 as against 17% in FY23. The company also has long-standing relations with all major distributors in India.

Comfortable capital structure

The company's capital structure remains comfortable with overall gearing at 0.01x as on March 31, 2024 (PY: 0.02x as on March 31, 2023). The company has not availed term loans. With no major capex planned in the near future and expected to be met from internal accruals, CARE Ratings expects the capital structure to remain robust.

Moderate scale of operations

ADL's income from operations witnessed y-o-y growth of ~6% in FY24 to ₹362.46 crore as against TOI of ₹341.56 crore in FY23. Although TOI of ADL improved, it continues to remain moderate. The PBILDT margin has remained stable at 12.93% in FY24 (PY: 13.02%). Profit after tax (PAT) significantly improved to ₹75.42 crore in FY24 against PAT of ₹36.17 crore in FY23 primarily considering net gain on fair valuation of investments in mutual funds.

Foreign exchange fluctuation risk

The company imports raw materials, lactose, and amino acids, among others, from European countries and do not hedge its exposure. As the company also exports, foreign exchange fluctuation risk is mitigated to the extent of exports.

Exposure to regulatory risk

The pharmaceutical industry is highly regulated in many other countries and requires approvals, licenses, registrations and permissions for business activities. The approval process for a new product registration is complex, lengthy and expensive. The time taken to obtain approval varies from across countries but generally takes from six months to several years from the date of application. CARE Ratings notes that delays or failures in getting approval for new product launch could adversely affect the company's business prospects.

Liquidity: Strong

Liquidity is marked by strong cash accruals of ₹40.12 crore against nil debt repayment obligations in FY24. ADL is having liquid investments in the form of cash and bank balances amounting to ₹5.44 crore, fixed deposits in banks amounting to ₹25.72 crore and liquid investments in mutual funds and bonds of ₹254.30 crore as on March 31, 2024. With a gearing of 0.01x as on March 31, 2024, the company has sufficient gearing headroom, to raise additional debt for its capex. However, the company relies on its internal accruals for its capex. The average working capital utilisation levels stood less than 1% for 12-months ended April 2024.

Environment, social, and governance (ESG) risks- Not applicable**Applicable Criteria**

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Pharmaceuticals](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & biotechnology	Pharmaceuticals

Incorporated in 1938, the company was acquired by the Kolkata-based Kothari Group in 1965. The company set up its first manufacturing facility in Kolkata to manufacture pharmaceutical formulations as drugs, tablets and syrups. In 1981, it set up a manufacturing unit in Ghaziabad, Uttar Pradesh, to manufacture intravenous fluids in glass bottles and in polyethylene bottles based on form-fill-seal technology. Gradually, the company installed capacity to manufacture capsules, ointments and ophthalmological products in its Ghaziabad unit. The company's manufacturing facilities are in Kolkata (West Bengal) and Ghaziabad (Uttar Pradesh). The company's manufacturing facilities are GMP-certified by national agencies. The company offers a wide range of formulations under its brands in the domestic market. Its placental-based formulation, Placentrex, is the only human placenta-based product in India developed through indigenous research. It has emerged as the market leader in this segment and has a process patent over Placentrex.

Financial performance: Standalone financials

(₹ crore)

For the period ended / as at March 31,	2022	2023	2024
	(12m, A)	(12m, A)	(12m, Ab)
Working Results			
Net Sales	312.43	340.01	360.26
Total Operating Income	313.54	341.56	362.46
PBILDT	40.96	44.47	46.88
Interest	0.67	0.58	0.32
Depreciation	8.81	8.55	6.83
PBT	47.30	50.74	97.29
PAT (after deferred tax)	35.26	36.17	75.42
Gross Cash Accruals	35.40	40.12	40.92
Financial Position			
Equity Capital	5.71	5.71	5.71
Net worth	275.60	309.11	381.20
Total capital employed	285.53	315.90	389.58
Key Ratios			
Growth			
Growth in Total Income (%)	26.70	8.94	6.12
Growth in PAT (after deferred tax) (%)	59.22	2.60	108.49
Profitability			
PBILDT/Total Op. Income (%)	13.06	13.02	12.93
PAT (after deferred tax)/Total Income (%)	11.25	10.59	20.81
ROCE (%)	16.17	13.88	13.64
Solvency			
Debt Equity Ratio (times)	0.01	0.00	0.00
Overall Gearing Ratio (times)	0.02	0.02	0.01
Interest Coverage (times)	60.95	76.18	145.95
Term Debt/Gross Cash Accruals (years)	0.05	0.03	0.03
Total Debt/Gross Cash Accruals (years)	0.16	0.13	0.08
Liquidity			

For the period ended / as at March 31,	2022	2023	2024
	(12m, A)	(12m, A)	(12m, Ab)
Current Ratio (times)	1.98	2.09	2.39
Quick Ratio (times)	1.76	1.82	2.17
Turnover			
Average Collection Period (days)	26	29	30
Average Inventory (days)	55	60	61
Average Creditors (days)	37	38	38
Operating Cycle (days)	44	51	53

A: Audited; Ab: Abridged

Status of non-cooperation with previous CRA: Not applicable**Any other information:** Not available**Rating history for last three years:** Please refer to Annexure-2**Details of rated facilities:** Please refer to Annexure-3**Complexity level of instruments rated:** Annexure-4**Covenants of rated instrument / facility:** Detailed explanation of covenants of rated instruments/facilities is given in Annexure-5**Annexure-1: Details of instruments / facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE A; Stable
Non-fund-based - LT-Forward contract/derivative limit		-	-	-	0.50	CARE A; Stable
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	5.00	CARE A; Stable / CARE A1
Non-fund-based - LT/ST-Letter of credit		-	-	-	3.00	CARE A; Stable / CARE A1

Annexure-2: Rating history of 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (06-Sep-23)	1)CARE A; Stable / CARE A1 (30-Mar-23)	-
2	Fund-based - LT-Cash Credit	LT	10.00	CARE A; Stable	-	1)CARE A; Stable	1)CARE A; Stable	-

						(06-Sep-23)	(30-Mar-23)	
3	Non-fund-based - LT/ ST-Letter of credit	LT/ST	3.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (06-Sep-23)	1)CARE A; Stable / CARE A1 (30-Mar-23)	-
4	Non-fund-based - LT-Forward contract/derivative limit	LT	0.50	CARE A; Stable	-	1)CARE A; Stable (06-Sep-23)	1)CARE A; Stable (30-Mar-23)	-

LT: Long Term, LT/ST: Long Term/Short Term

Annexure 3: Details of Rated Facilities

1. Long-term facilities

1.A. Fund Based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)
1.	State Bank of India	10.00
	Total	10.00

1.B. Non-Fund Based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)
1.	State Bank of India	0.50
	Total	0.50

Total Long-term facilities: ₹10.50 crore

2. Long-term/Short term facilities

2.A. Non-Fund Based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)
1.	State Bank of India	5.00
	Total	5.00

2.B. Non-Fund Based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)
1.	State Bank of India	3.00
	Total	3.00

Total Long-term/Short term facilities: ₹8 crore

Total Facilities (1.A+1.B+2.A+2.B): ₹18.50 crore

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-Forward contract/derivative limit	Simple

3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Detailed explanation of covenants of rated instrument / facilities- Not applicable

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Name: Arindam Saha Director CARE Ratings Limited Phone: +91-033- 40181631 E-mail: arindam.saha@careedge.in Gopal Pansari Associate Director CARE Ratings Limited Phone: 91-033- 40181600 E-mail: gopal.pansari@careedge.in Shivangi Sharma Assistant Director CARE Ratings Limited E-mail: shivangi.sharma@careedge.in
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(This follows our Press Release for the entity published on July 04, 2024)

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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CARE Ratings Ltd.

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern
Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456

REGIONAL OFFICES**AHMEDABAD**

32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Phone: +91-79-4026 5656

ANDHERI – MUMBAI

A Wing - 1102 / 1103, Kanakia Wall Street,
Andheri Kurla Road, Chakala, Andheri (E),
Mumbai - 400 093

BENGALURU

Unit No. 205-208, 2nd Floor, Prestige Meridian 1,
No. 30, M.G. Road, Bengaluru, Karnataka - 560 001
Phone: +91-80-4662 5555

CHENNAI

Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 7812 / 0811

COIMBATORE

T-3, 3rd Floor, Manchester Square,
Puliakulam Road, Coimbatore - 641 037
Phone: +91-422-433 2399 / 450 2399

HYDERABAD

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029
Phone: +91-40-4010 2030

KOLKATA

Unit No. A/7/4, 7th Floor, Block A
Apeejay House, 15 Park Street, Kolkata- 700 016
Phone: +91-33-4018 1600

NOIDA

Plot no. C-001 A/2 Sector 16B, Berger Tower,
Noida, Gautam Budh Nagar (UP) – 201 301
Phone: +91-12-0445 2000

PUNE

9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 016
Phone: +91-20- 4000 9000

CIN - L67190MH1993PLC071691