Press Release

Pan Healthcare Private Limited (PHCPL)

October 12, 2020

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	15.00	IVR BB+/ Positive outlook (IVR Double B Plus with Positive outlook)	Assigned
	Total	**15.00**		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of PHCPLderives strength fromits experiencedpromoters, improving financial risk profile marked by increase in total operating income, advantage of subsidy received from government, improving gearing ratio and installed capacity utilisation . However, limited pricing power and intensive competition, are the rating constraints.

The outlook is positive on account of the expected substantial improvement in overall financial performance of the company in FY21.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial & sustained improvement in the revenue &profitability leading to improvement in the debt protection metrics.

Downward rating factor(s)

- Any further decline in revenue and/or profitability leading to decline in debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters group:

The Pan group was established with the guidance and support of Mr.Mansukh Pan who has an experience of over three decades in cotton and other industries and is currently the Chairman of the group. The promoter is well assisted by a team of professionals having relevant industry experience in the day-to-day operation. Long standing presence of the promoter in the industry has helped the group to establish healthy relationship with its customers in a very short span of time.

Improvement in financial risk profile marked by increase in total operating income:

The total operating income of the company has grown by ~ 118% in FY20 to INR86.50 Crore from INR39.67 Crore in FY19 driven by higher realisation and demand of the diapers and sanitary napkins. The company have increased the number of distributors/distribution channel which in all have helped in improvement in scale of operation. The EBITDA margin of the company is comfortable and improving from FY19 onwards with 12.94% and 17.54% in FY20 due to increase in its scale of operation. PAT margin has improved from negative 15.28% in FY19 to positive 6.28% in FY20.

Subsidy advantage from government:

The company is eligible for SGST subsidy provided by the Gujarat Government (where 100% reimbursement of intra state transaction done by the company is given) and which will continue for 10 years starting from July 26, 2017. Apart from GST subsidy, the company is also eligible for 15% capital subsidy in investment of Plant and Machinery for Technical Textile assisted by Ministry of Textile, Government of India vide Technology up gradation fund scheme of 2016. Another interest subsidy for technical textiles under Gujarat Textile Policy – 2012 of Industries and Mines department, government of Gujarat for 6% on outstanding loan till 5 years from the eligible date.

Improving gearing ratio and capacity utilisation:

The overall installed capacity of the three products viz. Babby diapers, Adult diapers and Sanitary Napkins in the company is ~ 70.61 Crore pieces per annum. The capacity utilisation of the company have increased to ~ 25% in FY20 from ~ 12% in FY19. The overall gearing ratio of the company is moderate albeit improving & stands at 1.71x in FY20 and 2.68x in FY19. The interest coverage ratio stands comfortable and have shown progression at 4.44x in FY20 as compared to 1.41x in FY19 and 1.38x in FY18.

Key Rating Weaknesses

Limited pricing flexibility because of intense competition:

The scale of operation of the company is small as compared to other MNC players in the health and hygiene industry. Any pricing movement can trigger the purchase sentiments. Competition remains intense due to presence of many organised & unorganised players.

Analytical Approach &Applicable Criteria:

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company has earned a comfortable level of GCA in last year and the same is expected to increase further with an increase in scale of operation. The company maintains moderate cash and bank balance to meet its liquidity requirements. The working capital utilisation limits remain moderate at ~ 76% during the 12 months ended July, 2020. The current ratio stands comfortable at 1.25x in FY20.

About the Company:

Pan Healthcare Private Limited (PHCPL) got incorporated in March 2016 and started its commercial operations from FY18 onwards (FY19 being the first full year of operation), PHCPL is involved in manufacturing of baby diapers, adult diapers and sanitary napkins. PHCPL plant is located in Biliyada (Rajkot-Gujarat) and is owned and managed by the Pan family. The company has the capacity to produce overall 70.61 Crore pieces p.a. The company manufactures its baby diapers under the brand name ‘Little Angel’, adult diapers under the brand name ‘Liberty diapers’ and sanitary napkins under the brand name ‘ Everteen’.

Financials:

(INR.Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	39.99	89.41
EBITDA	5.13	15.17
PAT	-6.11	5.62
Total Debt	54.88	46.08
Tangible Net-worth	8.4	14.0
EBITDA Margin (%)	12.94	17.54
PAT Margin (%)	-15.28	6.28
Overall Gearing Ratio (x)	2.68	1.71

** Classification as per Infomericsstandards*

Status of non-cooperation with previous CRA: ICRA had moved the rating of Pan Healthcare Private Limited into Issuer Non-Cooperating category as per the Press Release dated January 31, 2020.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Cash Credit	Long Term	15.00	IVR BB+/ Positive	--	--	--
	Total		**15.00**				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	NA	NA	NA	15.00	IVR BB+/Positive

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Lenders-PHCPL-12-10-20.pdf