

Encl: As above

Rating Rationale

July 18, 2023 | Mumbai

Cian Healthcare Limited

Rating downgraded to 'CRISIL D'

Rating Action

Total Bank Loan Facilities Rated	Rs.44 Crore
Long Term Rating	CRISIL D (Downgraded from 'CRISIL B+/Stable')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its rating on the bank facilities of Cian Healthcare Limited (CHL) to 'CRISIL D' from 'CRISIL B+/Stable'.

The rating is driven by delays in servicing term loans and working capital lines.

The rating reflects CHL's below-average financial risk profile, driven by weak debt protection metrics, large working requirement with average scale, and exposure to regulatory risks and volatility in the prices of raw materials. These weaknesses are partially offset by the extensive experience of the promoters in the pharmaceutical industry and CHL's product and geographical diversification in revenue.

CRISIL Ratings also notes that one of the trade creditors has filed for initiation of corporate insolvency resolution Process (CIRP) against CHL.

Analytical Approach

Unsecured loan of Rs 1.46 crore, as on March 31, 2022, provided by the promoters and their friends and relatives has been treated as neither debt nor equity, as the loan is expected to be retained in the business over the medium term.

Key Rating Drivers & Detailed Description

Weaknesses:

Below-average financial risk profile: Suppressed profitability and large debt levels have constrained the company's financial risk profile. CHL's interest coverage and net cash accrual to total debt (NCATD) ratios were weak at 1.05 times and 0.07 time, respectively, in fiscal 2022. As the company's profitability continues to remain under pressure, these metrics are expected to remain subdued in the near to medium term. Its capital structure remains moderate, driven by moderately healthy net worth.

Average scale and large working capital requirement: Intense competition restricts scalability of operations, as reflected in topline of around Rs 64 crore in fiscal 2022. Also, revenue has remained average at Rs 57-72 crore in the four fiscals through 2022.

Gross current assets were 349-412 days over the three fiscals ended March 31, 2022. Large working capital requirements arise from high debtor and inventory levels. It is required to extend the long credit period. The working capital requirement may remain high over the medium term, given the business model.

Exposure to regulatory risks and volatility in prices of raw materials: The pharmaceutical industry is a closely monitored and regulated industry, and hence, inherent risks and liabilities associated with products and their manufacturing persist. Furthermore, prices of key raw materials, active pharmaceuticals ingredients, are volatile. Hence, profitability is susceptible to fluctuations in raw material prices.

Strengths:

Extensive industry experience of the promoters: The promoters have experience of more than 15 years in the pharmaceuticals - formulation industry. This has given them a strong understanding of the market dynamics and enabled them to establish healthy relationships with suppliers and customers.

Product and geographical diversification in revenue: CHL has a diversified product portfolio including tablets, capsules, ointments, sachet, liquid, syrups, dry powder, injectables, protein powders, nutraceutical supplements, lotions, creams, medicated soaps, medicated shampoos, among others, which are marketed through 600 different brands. The company has registered over 200+ molecules under its own name. The company caters to diverse segments including gynecology, hematinic, cardio-diabetic, orthopedic, pediatric, derma-cosmetic, antibiotic, central nervous system, and vitamins and

nutrient products. Furthermore, the company sells its products across India and also exports to overseas countries thus geographically diversifying its revenue profile.

Liquidity: Poor

Bank limit utilization was high at almost full for the 12 months through October 2022. Company has delayed servicing the term loan and working capital lines interest and repayment of principal for May and June'23.

Rating Sensitivity Factors

Upward factors

- Track record of timely debt servicing for at least more than 90 days.
- Improvement in the financial and liquidity risk profiles.

About the Company

CHL was incorporated in January 2003 and was listed on the Bombay Stock Exchange (BSE: SME) in May 2019. The company manufactures pharmaceutical formulations in the form of tablets, capsules, liquid orals, ointments, creams, lotions, gels and sachets. CHL markets its products under the brand name, CIAN. It has two manufacturing facilities in Roorkee, Uttarakhand. CHL is promoted by Mr. Suraj Zanwar and his family members.

CHL has a subsidiary, Dr Smith Biotic Pvt Ltd, which manufactures cosmetics and toiletries that includes pre-shave, shaving or after-shave preparations, personal deodorants and antiperspirants, perfumed bath salts and other bath preparations, beauty or make-up preparations. The subsidiary is ramping up its operations and is not expected to require any funding support from CHL going forward.

Key Financial Indicator

As on/for the period ended March 31	Unit	2022	2021
Operating income	Rs crore	64.28	72.47
Reported profit after tax (PAT)	Rs crore	-2.28	0.33
PAT margin	%	-3.54	0.45
Adjusted debt/adjusted networkth	Times	0.72	0.89
Interest coverage	Times	1.05	1.52

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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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	21.5	NA	CRISIL D
NA	Term Loan	NA	NA	Mar-26	17.98	NA	CRISIL D
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	4.52	NA	CRISIL D

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	44.0	CRISIL D	15-05-23	CRISIL B+/Stable		--		--		--	--
			--	03-03-23	CRISIL B+/Stable		--		--		--	--
			--	27-02-23	CRISIL B+/Stable		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	12.4	IDBI Bank Limited	CRISIL D
Cash Credit	3.4	Bank of Baroda	CRISIL D
Cash Credit	5.7	Union Bank of India	CRISIL D
Proposed Fund-Based Bank Limits	4.52	Not Applicable	CRISIL D

Term Loan	1.47	IDBI Bank Limited	CRISIL D
Term Loan	2.31	Union Bank of India	CRISIL D
Term Loan	4.22	Small Industries Development Bank of India	CRISIL D
Term Loan	9.98	Bank of Baroda	CRISIL D

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Financial Ratios
Assessing Information Adequacy Risk
Rating criteria for manufacturing and service sector companies

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