January 20, 2022

Aarti Drugs Limited: Rating Withdrawn for CP Programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term: Term loan ($ million)*	$15.0 million	$15.0 million	[ICRA] AA- (stable); outstanding
Long-term: Fund-based term loan	167.71	167.71	[ICRA] AA- (stable); outstanding
Long-term: Fund-based CC	34.0	34.0	[ICRA] AA- (stable); outstanding
Short-term: Fund-based/ Non-fund based facilities	816.0	816.0	[ICRA] A1+; outstanding
Total	**1,017.71** **$15.0 million**	**1,017.71** **$15.0 million**	
Commercial paper	90.0	90.0	[ICRA]A1+; withdrawn

**Instrument details are provided in Annexure-1*

Rationale

ICRA has withdrawn the short-term rating of [ICRA]A1+ assigned to the Commercial Paper (CP) programme of Aarti Drugs Limited (ADL). There is no incremental information to suggest that the credit risk profile of the company has changed since the last review. The rating is withdrawn in accordance with ICRA's policy on withdrawal and suspension at the request of the company as there is no amount outstanding against the rated instrument.

The key rating drivers, liquidity position and rating sensitivities have not been captured as the rated instrument is being withdrawn. The previous detailed rating rationale is available at the following link: Click here.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Policy on Withdrawal of Credit Ratings Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ADL. As on March 31, 2021, the company had four subsidiaries, which are all enlisted in Annexure-2.

About the company

Incorporated in 1984, ADL manufactures active pharmaceutical ingredients (API), intermediates and speciality chemicals. The company was promoted by four chemical engineering graduates from UDCT Mumbai (now Institute of Chemical Technology). ADL derives nearly 30-35% of its revenues from exports in FY2020 and H1 FY2021. It has a strong presence in antibiotic, antidiarrheal and anti-inflammatory segments with a growing product portfolio in anti-fungal, anti-diabetic, cardio-protectant, vitamins and anti-arthritis therapeutic groups. ADL's key products include Ciprofloxacin, Metronidazole, Metformin HCL, Ketoconazole and Ofloxacin. It successfully developed around 30 new molecules in the past six years and is continuously developing new value-added molecules through its innovative and cost-effective process. The company has nine manufacturing plants in Tarapur (Maharashtra) and two plants in Sarigam (Gujarat). The manufacturing units have approval from WHO-GMP, EDQM (Europe), accreditation from Japan, ANVISA, ISO 9001: 2000, TGA Australia, COFEPRIS, Canadian Authorities, China, Russia, Taiwan, Ukraine, Vietnam, and South Korea.

Pinnacle Life Sciences Private Limited (PLSPL) is a wholly-owned subsidiary of ADL involved in manufacturing formulations for domestic (contract manufacturing) and export markets (own brand). The therapeutic segments it caters to includes CNS, cardiovascular, dermatology ointments, gastro intestinal, oncology, pain management and respiratory. Its facility at Baddi is ISO 9001: 2008 certified and WHO–GMP approved. PLSPL is also approved by various regulatory bodies like FMHACA (Ethiopia), NDA (Uganda), PPP (Kenya), and Ministry of Health (Ivory Coast).

Key financial indicators

ADL Consolidated	FY2020 (Audited)	FY2021 (Audited)
Operating Income (Rs. crore)	1806.1	2154.8
PAT (Rs. crore)	141.4	280.4
OPBDIT/OI (%)	14.7%	20.4%
PAT/OI (%)	7.8%	13.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	0.9
Total Debt/OPBDIT (times)	1.5	0.8
Interest Coverage (times)	7.1	16.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
Note: Amount in Rs. crore; All calculations are as per ICRA Research
Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					January 20, 2022	April 15, 2021	Mar 25, 2021	-	-
1	Term loan USD million	Long-term	15.0	-	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	-	-
2	Term Loan (Rs. crore)	Long-term	167.71	-	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	-	-	-
3	Cash Credit	Long-term	34.0	-	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	-	-	-
4	Fund based/ Non-fund based	Short term	816.0	-	[ICRA]A1+	[ICRA]A1+	-	-	-
5	Commercial Paper	Short term	90.0	-	[ICRA]A1+; Withdrawn	[ICRA]A1+	[ICRA]A1+	-	-

Amount in Rs. Crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term: Term loan (USD million)	Simple
Long term- Fund based term loan	Simple
Long term- Fund based CC	Simple
Short term- Fund based/Non-fund based facilities	Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website**:** www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loan (USD million)	25-Aug-2020	NA	14-Mar-2027	15.0	[ICRA]AA- (Stable)
NA	Term Loan 1 (Rs. crore)	17-Jun-2016	NA	30-Jun-2025	65.26	[ICRA]AA- (Stable)
NA	Term Loan 2 (Rs. crore)	27-Aug-2020	NA	11-Aug-2023	54.0	[ICRA]AA- (Stable)
NA	Term Loan 3 (Rs. crore)	11-Sep-2020	NA	30-Sep-2025	48.45	[ICRA]AA- (Stable)
NA	Long term-Fund based CC	NA	NA	NA	34.0	[ICRA]AA- (Stable)
NA	Short term- Fund based/Non-fund based	NA	NA	NA	816.0	[ICRA]A1+
Not placed	Commercial Paper	NA	NA	1-year or less	90.0	[ICRA]A1+; Withdrawn

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Pinnacle Life Science Private Limited	100.0%	Full Consolidation
Aarti Speciality Chemicals Limited	100.0%	Full Consolidation
Pinnacle Life Science LLC	100.0%	Full Consolidation
Pinnacle Chile SPA	95.0%	Full Consolidation

Source: *ADL FY2021 Annual Report;* ***Note:*** *ICRA has taken a consolidated view of the parent (ADL), its subsidiaries while assigning the ratings.*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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