Hexagon Nutrition Private Limited

Instrument	Amount (Rs. crore)	Rating Action
Term loan	11.00 (revised from 8.60)	Upgraded to [ICRA]BBB (stable) from [ICRA]BBB- (stable)
Long-term, fund based working capital facilities	6.00	Upgraded to [ICRA]BBB (stable) from [ICRA]BBB- (stable)
Short-term, non-fund based working capital facilities	(2.00)#	Upgraded to [ICRA]A3+ from [ICRA]A3
Short-term, fund based working capital facilities	1.00	[ICRA]A3+ assigned
Long-term/ Short-term, fund based/ non-fund based working capital facilities	4.00	[ICRA]BBB (stable)/ [ICRA]A3+ assigned

 # Short-term, non-fund based working capital facilities of Rs. 2.00 crore as a sub-limit of Rs. 6.00 crore long-term, fund-based working capital facilities

ICRA has upgraded the long-term rating for the Rs. 11.00 crore[1] (enhanced from Rs. 8.60 crore) term loans and Rs. 6.00 crore long-term, fund based working capital facilities of Hexagon Nutrition Private Limited ('HNPL' or 'the company')[2] to [ICRA]BBB (pronounced ICRA triple B) from [ICRA]BBB- (pronounced ICRA triple B minus). ICRA has also upgraded the short-term rating for the Rs. 2.00 crore short-term, non-fund based working capital facilities[#] of HNPL to [ICRA]A3+ (pronounced ICRA A three plus) from [ICRA]A3 (pronounced ICRA A three). ICRA has also assigned [ICRA]A3+ (pronounced ICRA A three plus) rating to the Rs. 1.00 crore short-term, fund based working capital facilities and [ICRA]BBB (pronounced ICRA triple B)/ [ICRA]A3+ (pronounced ICRA A three plus) rating to the Rs. 4.00 crore long-term/short-term, fund based/ non-fund based working capital facilities of HNPL. The outlook on the long-term rating is 'Stable'.

The upgrade in ratings takes into consideration the improvement in scale of operations of the company, diversification in the product profile, and comfortable financial risk profile of the company, on a consolidated basis, characterised by strong profitability, moderate capital structure and debt coverage indicators, and adequate liquidity to fund the working capital requirements. The ratings continue to factor in vast experience of the promoters in the field of business, association of the company with the reputed international organisations, established network with large hospital chains in India to recommend and sell disease specific branded dietary supplements, and absence of any large debt funded capital expenditure over the medium term. The ratings are, however, constrained by the current small scale of operations of the company, low entry barriers in the field of business, intense competition in the retail nutraceutical segment with the entry of multinational companies, expected moderation in profitability over the near term owing to planned entry into OTC segment and related brand building expenses, and exchange rate risk given the significant export portfolio. Successful completion of the planned private equity deal remains critical to support the capital structure, in view of the sizeable brand building expenses planned by the company.

To arrive at the ratings ICRA has consolidated the business and financial risk profiles of Hexagon Nutrition Private Limited and its subsidiaries – Hexagon Nutrition (Exports) Private Limited and Hexagon Nutrition (International) Private Limited.

Company Profile

Hexagon Nutrition Private Limited ('HNPL' or 'the company'), incorporated in 1993 by Mr. Arun Kelkar and family, is the flagship company of the Hexagon Nutrition Group ('the group'). The group operations include operations under HNPL and its two wholly owned subsidiaries, namely Hexagon Nutrition (Exports) Private Limited (HNEPL) and Hexagon Nutrition (International) Private Limited (HNIPL). The group is engaged in

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[1] Rs. 100 lakh = Rs. 1 crore = Rs. 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

short-term, non-fund based working capital facilities of Rs. 2.00 crore as a sublimit of Rs. 6.00 crore long-term, fund-based working capital facilities

manufacturing and sale of micronutrient premixes for human as well as veterinary consumption, therapeutic food, and dietary supplements (branded products). The group, besides the domestic sales, exports its vitamin and mineral premixes to more than 70 countries, primarily through its collaboration with WFP[3], GAIN[4], and other international organizations and NGOs. HNPL is one of the fifteen companies in the world selected by GAIN under GAIN Premix Facility (GPF), which is aimed at easing the procurement of good quality premixes for the organizations manufacturing food items. The dietary supplements, which are the branded nutraceutical products, are being sold primarily in the domestic market through ethical promotion. The group has also commenced exports of dietary supplements and is in the process of launching its dietary supplement products through the Over the Counter (OTC) channel, in a phase-wise manner in the domestic market.

The group has its manufacturing facilities at Dindori near Nashik (under HNPL directly; primarily caters to domestic sales), Chennai (in MEPZ[5] SEZ; under HNEPL; caters to export sales) and Tuticorin (in Food Processing Zone of Pearl City FoodPort SEZ; under HNIPL; targets export sales), with a total capacity to blend approximately 18,000 tons of premix products per annum. All the manufacturing facilities are ISO 22000:2005, FSSC (Food safety system certification) 22000:2010, GMP Australia and HALAL certified. HNPL, during FY2016, has also commissioned a food testing laboratory cum research centre at Nashik.

Recent Results
HNPL, on a consolidated basis, has reported a profit after tax (PAT) of Rs. 7.26 crore on an operating income of Rs. 122.18 crore in FY2016 as against a PAT of Rs. 6.37 crore on an operating income of Rs. 86.61 crore in FY2015.

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[3] WFP: United Nations' World Food Program
[4] GAIN: Global Alliance for Improved Nutrition, Geneva
[5] MEPZ: Madras Electronic Processing Zone

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