Hexagon Nutrition Private Limited

November 01, 2018

Summary of rated instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Long-term: Fund-based – Cash Credit	7.00	[ICRA]BBB+(Stable)
Long-term: Fund-based – Term Loan	9.00	[ICRA]BBB+(Stable)
Short-term: Fund based	4.00	[ICRA]A2
Short-term: Non-fund based	2.00	[ICRA]A2
Total	**22.00**	

Material event

ICRA has received the financial results of Hexagon Nutrition Private Limited (HNPL) and its wholly-owned subsidiaries – Hexagon Nutrition (Exports) Private Limited (HNEPL) and Hexagon Nutrition (International) Private Limited (HNIPL)for FY2018 on October 24, 2018.

Impact of the material event

In FY2018, as per the audited consolidated financials, HNPL has reported a profit after tax (PAT) of Rs. 2.88 crore on an operating income (OI) of Rs. 209.43 crore, as against a PAT of Rs. 6.00 crore on an OI of Rs. 139.77 crore in FY2017. The results reveal a sharp decline in margins primarily because of losses from the over-the-counter (OTC) business under HNPL's wellness division, coupled with a sharp rise in raw material prices, mainly under HNPL and HNEPL. However, in December 2017, the company closed its loss-making OTC business and also undertook other cost control measures at the Group level, leading to recovery in the profitability as reflected by a profit before tax of Rs. 16.00 crore on an OI of Rs. 122.90 crore as per the unaudited provisional financials for H1 FY2019. ICRA has taken note of the event and would be closely monitoring the company's performance.

At present, ICRA has ratings outstanding of [ICRA]BBB+(Stable)/[ICRA]A2 on the Rs. 22.00-crore bank facilities of HNPL. While assigning the ratings, ICRA has consolidated the financials of HNPL and its wholly-owned subsidiaries, HNEPL and HNIPL. The ratings derive comfort from the vast experience of the promoters in manufacturing of micronutrient premixes and dietary supplements spanning over three decades. The ratings derive strength from the company's association with reputed international organisations like Global Alliance for Improved Nutrition (GAIN) and World Food Programme (WFP) ensuring repeat business. Furthermore, HNPL's credit profile is supported by its established network with large hospital chains in India to recommend and sell disease-specific branded dietary supplements and equity infusion by a private equity player in FY2017.

The previous detailed rating rationale is available on the following link: Click here

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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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