January 05, 2024

# Hindustan Latex Family Planning Promotion Trust: Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Long-term –Fund-based – Cash Credit | 10.00 | 10.00 | [ICRA]BBB-(Stable); reaffirmed |
| Short-term – Non-fund Based | 4.00 | 4.00 | [ICRA]A3; reaffirmed |
| **Total** | **14.00** | **14.00** | |

*Instrument details are provided in Annexure-I*

## Rationale

The ratings factor in the support enjoyed by Hindustan Latex Family Planning and Promotion Trust (HLFPPT) from its parent, HLL Lifecare Limited (HLL; rated [ICRA]A- (Stable) / [ICRA]A2+), which has a strong credit profile, given the close business linkages between the two entities. The ratings consider ICRA's expectation that its standalone credit profile will remain stable, supported by HLFPPT's long track record in undertaking projects in primary health care services, promotion of social marketing products and skill development for Central and state government entities. It has a diversified revenue mix across several verticals such as social marketing, skill development, technical assistance, and healthcare service delivery, among others. The trust has an order book of Rs. 128 crore for FY2024, providing revenue visibility over the medium term.

The ratings, however, remain constrained by the trust's small scale of operations (Rs. 25-30 crore average revenue). The impending divestment plans of HLL by the Government of India (GoI) may impact the order flow of the trust. Since most of the projects undertaken by HLFPPT are reimbursement based, there are risks of temporary cash flow mismatches.

The Stable outlook reflects ICRA's expectation that the trust will maintain its earnings profile and low debt levels.

## Key rating drivers and their description

### Credit strengths

**Supported by GoI-owned HLL with established track record in healthcare services** – HLFPPT is supported by HLL, which is a 100% GoI-owned enterprise. HLFPPT is a charitable trust and registered under the Travancore Cochin Charitable Trust Act in 1992. It is involved in primary healthcare services, awareness of preventive health, family planning, promotion of social marketing products, social franchising, HIV-tuberculosis prevention, elderly care and support, child health, skill development, research and knowledge management, etc.

**Healthy order book position providing revenue visibility** – As of March 2023, the trust had an order book of nearly Rs. 128 crore, to be executed in FY2024, which provides near-to-medium-term revenue visibility. Going forward, skill development, family planning, and healthcare projects are expected to be the key growth drivers.

**Strong financial risk profile** – The trust's debt levels are low, resulting in healthy debt protection metrics with interest coverage ratio of 5.3 times and TOL/TNW of 1.1 times in FY2023. These debt protection metrics are expected to continue to remain healthy over the medium term with no major debt-funded capex expected.

### Credit challenges

**GoI intends to divest 100% stake in HLL; may affect order inflow from Government entities** – The GoI has identified HLL (holding company) as one of the Public Sector Undertaking from which it would disinvest through a 100% strategic stake sale.

In case of divestment by the GoI, the order inflows from the Central and state governments and Government-owned entities may be impacted.

**Delays in grants from Government entities lead to stretched receivables** – Majority of the trust's projects are from Government entities and receivables from them lead to a stretched working capital cycle. HLFPPT receives these payments on a reimbursement basis from its Government clients.

**Modest scale of operations** – The trust's scale of operations has remained modest with revenues ranging between Rs. 25-30 crore over the last few years, thus limiting the benefits of scale.

## Liquidity position: Adequate

The trust's liquidity is adequate with retained cash flows of Rs. 10.76 crore as on March 31, 2023, and buffer in working capital limits (sanctioned) of Rs. 10 crore, as on October 31, 2023. The trust's cash flows are expected to remain at similar levels, while it does not have any debt repayment obligations or any major capex plans.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if there is an improvement in HLL's credit profile and/or substantial improvement in HLFPPT's scale of operations and cash accruals.

**Negative factors** – Negative pressure on the ratings could arise if there is a deterioration in HLL's credit profile and/ or weakening of linkages with the parent, of if there is a significant deterioration in the revenue, operating profits, or debt protection metrics of the trust.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology |
| **Parent/Group support** | Parent Company: HLL Lifecare Limited<br>The ratings assigned to HLFPPT factors in the likelihood of support from its parent. |
| **Consolidation/Standalone** | Standalone |

## About the company

HLFPPT is a charitable trust registered in 1992 under the Travancore Cochin Charitable Trust Act. It is promoted by HLL Lifecare Limited, a Government of India enterprise, for implementing public health programmes. It has been actively involved in primary healthcare services, awareness of preventive health, family planning, promotion of social marketing products, social franchising, HIV-tuberculosis prevention, elderly care and support, child health, skill development, research and knowledge management, etc. The trust runs pan-India operations. In addition to projects from GoI entities like the Ministry of Health and Family Welfare, National Rural Health Ministry, National AIDS Control Organisation, etc, the trust has undertaken several programmes/projects funded by international agencies such as the Bill & Melinda Gates Foundation, UNICEF, UNFPA, and USAID, among others.

## Key financial indicators (audited)

| HLFPPT Standalone | FY2022 | FY2023 |
|---|---|---|
| Operating income | 33.9 | 25.2 |
| PAT | 2.0 | 4.2 |
| OPBDIT/OI | 18.7% | 19.5% |
| PAT/OI | 5.8% | 16.7% |
| Total outside liabilities/Tangible net worth (times) | 1.1 | 1.1 |
| Total debt/OPBDIT (times) | 0.8 | 0.0 |
| Interest coverage (times) | 11.1 | 5.3 |

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Instrument | Current rating (FY2024) | | | | Chronology of rating history for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount rated (Rs. crore) | Amount outstanding as of March 31, 2023 (Rs. crore) | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2021 |
| | | | | | January 5, 2024 | November 28, 2022 | August 30, 2021 | - |
| 1 | Fund-based Cash Credit | Long term | 10.00 | - | [ICRA]BBB-(Stable) | [ICRA]BBB(CE) (Stable) withdrawn; [ICRA]BBB-(Stable) assigned simultaneously | [ICRA]BBB (CE) (Stable) | - |
| 2 | Non-Fund based | Short term | 4.00 | - | [ICRA]A3 | [ICRA]A3+(CE) withdrawn; [ICRA]A3 assigned simultaneously | [ICRA]A3+ (CE) | - |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| Long-term – Fund-based – Cash Credit | Simple |
| Short-term – Non-fund based | 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 analysing 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 are available on ICRA's website: Click Here

## Annexure I: Instr ument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| NA | Long-term – Fund-based – Cash Credit | - | - | - | 10.00 | [ICRA]BBB-(Stable) |
| NA | Short-term – Non-fund Based | - | - | - | 4.00 | [ICRA]A3 |

*Source: Company*

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

## Annexure II: List of entities considered for consolidated analysis – Not applicable

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## About ICRA Limited:

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