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Rating Rationale

November 19, 2020 | Mumbai

Zydu Wellness Limited

Ā Rating withdrawnĀ

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Rating Action

Rs.1500 Crore Non Convertible Debentures	CRISIL AA+/Stable (Withdrawn)
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1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has **withdrawn** its rating on the non-convertible debentures (NCDs) of Zydu Wellness Limited (ZWL) as they have been fully repaid by the company. CRISIL has received confirmation of no dues against these NCDs from the debenture trustee. The withdrawal is in line with CRISIL's policy on withdrawal of NCDs.

Analytical Approach

For arriving at the rating, CRISIL has combined the business and financial risk profiles of ZWL and its 100% subsidiary companies, Zydu Wellness Products Ltd (erstwhile Zydu Nutritions Ltd), Liva Nutritions Ltd, Liva Investment Ltd and Zydu Wellness International DMCC, because of business and financial linkages. Goodwill and brands on acquisition of Heinz have been amortised over 10 years, and profit after tax (PAT) and networth have been adjusted accordingly. CRISIL has applied its parent notch-up framework to factor in ZWL's strategic importance to, and expectation of need-based support from, Cadila Healthcare Ltd (Cadila Healthcare; 'CRISIL AA+/Stable/CRISIL A1+').

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

About the Company

ZWL was incorporated on November 1, 1994, as a public limited company with the name Carnation Health Foods Ltd. With effect from June 8, 2006, Cadila Healthcare acquired 61.56% shareholding in the company, making it a subsidiary. Subsequently, Cadila Healthcare transferred its consumer products division and renamed the company as ZWL. ZWL operates as an integrated consumer company with business encompassing the development, production, marketing, and distribution of health and wellness products. The product portfolio includes flagship brands such as Sugar Free, Everyuth, and Nutralite, and acquired brands such as Glucon D, Complian, Nycil and Sampriti Ghee. ZWL is managed by Dr Sharvil Patel, a third generation entrepreneur. The Zydu Cadila group acquired Heinz through ZWL with effect from January 30, 2019.

ZWL is listed on the Bombay Stock Exchange and the National Stock Exchange. As on September 30, 2020, 64.82 stake was held by the promoters and family, 13.53% by alternative investment funds, 1.39% by foreign portfolio investors and the remaining by others.

For the first six months of fiscal 2021, ZWL's operating income was Rs 879 crore and profit after tax (PAT) was Rs (16) crore as against Rs 946 crore and Rs 68 crore, respectively, for the corresponding period of six months of the previous fiscal. Rs 98 cr towards one time debenture redemption premium impacted PAT in first half of fiscal 2021.

Key Financial Indicators

Particulars	Unit	2020	2019
Revenue	Rs.Crore	1766.8	842.3
Adjusted PAT*	Rs.Crore	-302	99.0
Adjusted PAT margin*	%	-17.1	11.8
Adjusted debt/adjusted networth	Times	0.52	0.48
Interest coverage	Times	2.37	7.08

*Adjusted for goodwill and intangibles amortisation

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL 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. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

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
INE768C07017	Non-convertible debentures	16-Jan-19	9.14	Tranche 1 -14-Jan-22	500	Simple	Withdrawn
INE768C07025				Tranche 1 -16-Jan-23	500		
INE768C07033				Tranche 1 -16-Jan-24	500		

Annexure - List of Entities Consolidated

Sr.No	Name of entityĀ	Consolidation	Rationale for consolidation
1	M/s Zydu Wellness Products Ltd (erstwhile Zydu Nutritions Ltd)	Fully consolidated	Subsidiary

2	M/s Liva Nutritions Ltd	Fully consolidated	Subsidiary
3	M/s Liva Investment Ltd	Fully consolidated	Subsidiary
4	M/s Zydus Wellness International DMCC	Fully consolidated	Subsidiary

Annexure - Rating History for last 3 Years

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Non Convertible Debentures	LT	0.00 19-11-20	Withdrawn	08-10-20	CRISIL AA+/Stable	24-12-19	CRISIL AA+/Stable	28-12-18	CRISIL AA+/Stable		--	--
				10-08-20	CRISIL AA+/Stable							

All amounts are in Rs.Cr.

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Fast Moving Consumer Goods Industry](#)

[CRISILs Criteria for Consolidation](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

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