January 02, 2025

Doctor Pack India Private Limited: Ratings upgraded and Outlook on the long-term rating revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based Limit – Term Loans	9.08	9.08	[ICRA]BBB- (Stable); Upgraded from [ICRA]BB+ and outlook on the revised to stable from positive
Short-term – Fund-based Limit – Working Capital	15.00	15.00	[ICRA]A3; Upgraded from [ICRA]A4+
Short-term – Non-fund Based Limit	5.00	5.00	[ICRA]A3; Upgraded from [ICRA]A4+
Long-term/ Short-term – Unallocated Limits	0.92	0.92	[ICRA]BBB- (Stable)/[ICRA]A3; Upgraded from [ICRA]BB+/ [ICRA]A4+, and outlook on the long-term rating revised to stable from positive
Total	**30.00**	**30.00**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade in ratings outstanding on the bank lines of Doctor Pack India Private Limited (DPIPL/the company) considers its healthy performance in FY2024 and H1 FY2025, and expectation that the same will be sustained going forward supported by its stable business and financial profile. The company's operating margins remained strong at over 30% in FY2024 and H1 FY2025 and this has resulted in comfortable capital structure and coverage metrics. Its Total Debt/OPBITDA ratio stood at 1.1x as on March 31, 2024 and September 30, 2024 while its interest coverage was over 8 times for FY2024 and H1 FY2025. The company's gearing was 0.6 times as on March 31, 2024. Also, the company's revenues grew by 18.4% on an annualised basis to Rs. 46.3 crore in H1 FY2025 (after a decline in FY2024), and the healthy order book and favourable demand prospects for its products are likely to support healthy revenue improvement going forward. ICRA expects the company's margins also to remain strong going forward. While its debt metrics might witness some moderation in FY2025 on account of the ongoing capex, which is expected to be partially funded by debt, the same is expected to improve and remain comfortable over the medium term. The ratings also favourably factor in DPIPL's established operational track record, reputed clientele and extensive experience of promoters in the pharmaceutical packaging business.

The ratings, however, remain constrained by DPIPL's moderate scale of operations and its exposure to high competitive intensity in the industry and regulatory risks. Also, its earnings remain susceptible to cost inflationary pressures and forex fluctuations. DPIPL, through its subsidiary, is currently constructing a plant in Atlanta, USA, which is expected to be completed by end of FY2025. The gestational losses from the subsidiary, which would commence operations from FY2026, would also have a bearing on DPIPL's earnings over the medium term.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company's credit profile will remain supported by favourable outlook for the industry, its cash accruals and adequate liquidity position, despite debt-funded capex.

Key rating drivers and their description

Credit Strengths

Established operational track record and extensive experience of promoters in the pharmaceutical packaging business - DPIPL has been manufacturing pharmaceutical packaging products for more than a decade and its promoters have a strong vintage of more than 25 years in the industry. The company has been able to maintain a good product base that caters to ophthalmic, nasal, diabetes and inhalation drug delivery systems. Its long-standing presence in the industry has helped it in developing and maintaining relationships with a reputed client base that includes several large Indian pharmaceutical manufacturers.

Established relationships with key customers and favourable demand outlook - With a state-of-the-art manufacturing unit and strong R&D capabilities supporting new product development, DPIPL has been able to maintain a strong product portfolio catering to leading pharmaceutical manufacturers. Furthermore, it also provides intellectual property right (IPR) protection to its clients for its products (by filing product patents and documentation support for DMF filing and CE marking). This has further helped the company in maintaining strong relationships with leading pharma companies. The favourable demand outlook for the company's products also augurs well for DPIPL.

Comfortable capitalisation and coverage indicators – DPIPL's capitalisation and coverage metrics remained comfortable in FY2024 and H1 FY2025, supported by its strong operating margins. Its Total Debt/OPBITDA ratio stood at 1.1x as on March 31, 2024 and September 30, 2024 while its interest coverage was over 8 times for FY2024 and H1 FY2025. The company's gearing was 0.6 times as on March 31, 2024. While its debt metrics might witness some moderation in FY2025 on account of the ongoing capex, which is expected to be partially funded by debt, the same is expected to improve and remain comfortable over the medium term.

Credit challenges

Moderate scale of operations - DPIPL's scale remains moderate. Its operating income declined to Rs. 78.2 crore from Rs. 106.4 crore in FY2023, with loss of orders from a key client, and geopolitical issues. Nevertheless, the company's revenues grew by 18.4% on an annualised basis to Rs. 46.3 crore in H1 FY2025, and with a healthy order book and favourable demand prospects for its products, the scale is likely to improve, albeit remaining moderate, in the next 1-2 years.

Earnings susceptible to gestational losses in subsidiary, cost inflationary pressures and forex fluctuations - Key raw materials used in medical product and drug packaging include polyoxymethylene, polycarbonate, polyethylene (low density and high density), etc. The prices of the raw materials have remained volatile over the past few years, which also exposes the company to volatility in operating margins. However, its operating margins remained strong at over 30% in FY2024 and H1 FY2025, supported by favourable products and higher value addition. Additionally, since 60-70% of the raw material purchases are imported, the company's earnings are also susceptible to forex fluctuations. The company expects to start operations in its subsidiary from FY2026. Its consolidated earnings would also be susceptible to the extent of gestational loss in this subsidiary.

Exposed to high competitive intensity and regulatory risks - The company faces stiff competition from in-house packaging departments of pharmaceutical companies, large suppliers from Taiwan and China and some large domestic players, which restricts its pricing flexibility to certain extent. However, it has been able to maintain a reputed customer base over the years, which includes several large pharmaceutical companies. Akin to other industry players, the company is bound by strict regulations for its products in regulated markets. While any deviation from the same could result in reputational risks and other penalties for the company, the historical absence of regulatory issues in clinical trials largely provides comfort.

Liquidity position: Adequate

DPIPL's liquidity position is adequate, supported by its healthy anticipated cash accruals, unencumbered cash balance (Rs. 10.5 crore as on March 31, 2024) and buffer in the form of undrawn working capital facilities of ~ Rs. 6.1 crore as on October 31, 2024. As against these sources of cash, the company has repayment obligation of Rs. 5.5 crore in FY2025, Rs. 7.3 crore in FY2026 and Rs. 6.4 crore in FY2027 on its existing loans. Further, DPIPL has a planned capex of ~Rs 35-38 crore for FY2025, including capex towards setting up a new manufacturing unit in the US (in its subsidiary), which is expected to be partially funded by debt and the balance through internal accruals. The company is expected to comfortably service its obligation from its accruals and cashflows.

Rating sensitivities

Positive factors – ICRA could upgrade DPIPL's ratings if the company demonstrates a sustained and significant improvement in revenues and earnings leading to improvement in debt metrices, liquidity position and credit profile.

Negative factors – Pressure on ratings could arise with sustained reduction in revenues and/or margins and weakening of coverage or return indicators owing to sizeable debt-funded capital expenditure with DSCR less than 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's consolidated financials

About the company

DPIPL was incorporated on June 14, 2010, by Mr. G Dinakaran, Mr. Umapathi Raju and Mr. Jatin Pandya. The company is a packaging and device partner to leading global healthcare, pharmaceutical, diagnostics companies, hospitals, retail pharmacies and contract packagers. It specialises in the design, development and manufacturing of primary packaging, drug delivery systems, medical devices and customised plastics components including ophthalmic (eyes), parenteral (non-oral), nasal, inhalation, oral and diabetes drug delivery systems. Some of the company's products include injection vials, implant devices, nasal spray pumps and squeeze packs, inhalation devices like dry powder inhaler (DPI) and pressurised metered dose inhaler (PMDI), tablet containers, oral dosing syringes, pen dispensers, insulin pens, lancing devices and auto injectors. The current installed manufacturing capacity of the company's facility is ~20.0 million dropper bottles. DPIPL has also set up a subsidiary, Doctor Pack USA Inc., in the US with a 90% shareholding. The entity is expected to start manufacturing packaging products in the US by end of FY2025 and cater to companies in the region and other key markets.

Key financial indicators

Consolidated	FY2023	FY2024
Operating income	106.4	78.2
PAT	27.6	18.1
OPBDIT/OI (%)	40.2%	39.2%
PAT/OI (%)	25.9%	23.1%
Total outside liabilities/Tangible net worth (times)	0.9	0.9
Total debt/OPBDIT (times)	0.5	1.1
Interest coverage (times)	20.4	12.4

Source: Company, ICRA Research; Amount in Rs. crore Financial ratios are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	02-Jan- 2025	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	9.08	**[ICRA]BBB- (Stable)**	09-Feb-2024	**[ICRA]BB+ (Positive)**	27-Jan-2023	**[ICRA]BB+ (Positive)**	14-Oct-2021	**[ICRA]BB+ (Stable)**
Fund based – Working Capital	Short-term	15.00	**[ICRA]A3**	09-Feb-2024	**[ICRA]A4+**	27-Jan-2023	**[ICRA]A4+**	14-Oct-2021	**[ICRA]A4+**
Non-fund based	Short-term	5.00	**[ICRA]A3**	09-Feb-2024	**[ICRA]A4+**	27-Jan-2023	**[ICRA]A4+**	14-Oct-2021	**[ICRA]A4+**
Unallocated	Long-term and Short-term	0.92	**[ICRA]BBB- (Stable)/ [ICRA]A3**	09-Feb-2024	**[ICRA]BB+ (Positive)/ [ICRA]A4+**	27-Jan-2023	**[ICRA]BB+ (Positive)/ [ICRA]A4+**	14-Oct-2021	**[ICRA]BB+ (Stable)/ [ICRA]A4+**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loans	Simple
Short term – Fund based – Working capital	Simple
Short term – non-fund based	Very Simple
Long-term/Short-term Unallocated	Not Applicable

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: Instrument details

ISIN	Instrument Name	Date of Issuance/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan**	FY2021	8.5-9%	FY2028	9.08	[ICRA]BBB- (Stable)
NA	**Cash Credit**	NA	NA	NA	15.00	[ICRA]A3
NA	**Letter of Credit**	NA	NA	NA	5.00	[ICRA]A3
NA	**Unallocated**	NA	NA	NA	0.92	[ICRA]BBB-(Stable)/ [ICRA]A3

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	DPIPL's Ownership	Consolidation Approach
Doctor Pack USA INC	90%	Full Consolidation
Insight Technologies Private Limited	100%	Full Consolidation

Source: Company

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