



Pure & Cure Healthcare Private Limited

	Amount Outstanding	Rating Action
	Rs Crore	February 2015
Term loan-1	55.0	[ICRA]A+ (SO) reaffirmed; stable outlook
Cash credit	38.0 (enhanced from 18.0)	[ICRA]A+ (SO) reaffirmed; stable outlook
Total	93.0 (enhanced from 73.0)	

ICRA has reaffirmed a long-term rating of **[ICRA]A+ (SO)** (pronounced ICRA A plus Structured Obligation) to the Rs. 93.0 Crore (enhanced from Rs. 73.0 Crore) bank facilities of Pure & Cure Healthcare Private Limited (PCPHL)†. The outlook on the long term rating is 'Stable'. The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

ICRA's rating is based on the corporate guarantee extended by Akums Drugs & Pharmaceuticals Limited (ADPL) for the entire bank facilities of PCHPL. The rating reaffirmation for PCHPL's bank facilities factors in the reaffirmation of [ICRA]A+ (stable)/[ICRA]A1+ ratings for the bank facilities of ADPL. In arriving at the ratings for ADPL, ICRA has taken a consolidated view of ADPL along with its subsidiaries Akumentis Healthcare and Delcure Lifesciences (which operate as marketing companies) as well as Pure & Cure Healthcare and Malik Lifesciences (new manufacturing units setup with a view to avail excise exemption benefits for an extended period).

ADPL rating reaffirmation factors in the steady growth in revenues, stable profitability and strong cash accruals reported by the company over the past five years resulting in a healthy financial risk profile. The company continues to have a diversified customer profile including leading pharmaceuticals companies in India supported by its new product launches (combination products) and filings with the Indian regulator. Although the company remains largely a supplier to the domestic pharmaceutical companies, it has increasingly focussed on adding multinational pharmaceutical companies operating in India in the recent past.

On a standalone basis, ADPL operates five units, of which Unit 1 (Solids) contributed around 76% of revenues in 2013-14. With the excise duty exemption having expired for Unit 1 from December 14, a significant proportion of the business was shifted to subsidiaries (Pure and Cure as well as Malik Lifesciences) during the current fiscal. This would result in decline in revenues of ADPL from 2015-16 on a standalone basis; however, its revenue growth on consolidated basis is expected to remain healthy as the new manufacturing units (under its subsidiaries, which have excise exemption benefits till 2020) scale up.

The company's foray into marketing of drugs both in the domestic generic as well as prescription segment through its subsidiaries resulted in significant investment requirements (as loans and advances) for working capital requirements of the subsidiaries. The company is expected to remain in the investment mode in the near term as it expands its geographic presence. In ICRA's view, the company's ability to maintain healthy growth in revenues coupled with management of working capital cycle and the investment in its marketing subsidiaries would remain key rating sensitivities going forward.

†"For complete rating definition please refer to the ICRA website www.icra.in or any of the ICRA Rating Publications"



Company Profile

Incorporated in 2005, Pure & Cure Healthcare Private Limited (PCHPL) was established to manufacture pharmaceutical products out of a manufacturing facility located in Haridwar that has excise duty exemption till March 2020. In May 2013, the company was acquired by Akums Drugs & Pharmaceuticals Limited (ADPL) thus, becoming a 100% subsidiary of the latter. Post the acquisition, the management of ADPL decided to shift the manufacturing assets of PCHPL to a new plot of land and the facilities have been upgraded to make them compliant with various international accreditations. The plant commenced commercial production in November 2014.

About the Guarantor

Akums Drugs and Pharmaceuticals limited (ADPL) was incorporated in 2004 and undertakes contract manufacturing of formulations for domestic as well as multi-national pharmaceutical companies in India. The company has capacities to manufacture tablets, capsules, soft gelatin, dry syrup, liquid orals, injections dry and liquid, pre filled syringes and eye and ear drops, hormones, ointments, cosmetic, ayurvedic, herbal, nutraceuticals and other similar products. Since its incorporation in 2004, the company has successfully added large domestic (both Indian and multinational) pharmaceutical companies in its customer base. While promoters have significant experience in the pharmaceutical industry as well as interests in other small pharmaceutical companies, ADPL is the largest and strongest among the promoter companies.

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