

Pulse Pharmaceuticals Private Limited

Instrument	Amount in Rs crore	Rating Action
Long Term Fund Based Limits	20.15	[ICRA]BBB-(Stable); assigned
Short Term Non-Fund Based Limits	1.00	[ICRA]A3; assigned
Long/Short Term Unallocated Limits	4.85	[ICRA]BBB-(Stable)/[ICRA]A3; assigned

ICRA has assigned a long term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 20.15 crore¹ fund based limits of Pulse Pharmaceuticals Private Limited (PPPL)². ICRA has assigned a short term rating of [ICRA]A3 (pronounced ICRA A three) to the Rs. 1.00 crore non-fund based limits of PPPL. ICRA has also assigned ratings of [ICRA]BBB-/ [ICRA]A3 to the Rs. 4.85 crore unallocated limits of PPPL. The outlook on the long term rating is Stable.

The assigned ratings takes into account two decades of experience of the promoters in the pharmaceutical industry; diversified product portfolio with presence in various segments such as Neurology, Orthopaedics, Diabetic and Gynaecology; and diversified revenue profile with top five brands accounting for 40% of sales during the last two years. The ratings also take into account PPPL's patented technology AQUEOL (Aquiol Nano) leading to healthy growth in revenues during last two years; vast distribution network with presence in 15 states and tie up with over 460 stockiest in the country; and reputed customer base for contract manufacturing of Vitamin D3 products with customers like Abbott India, Sanofi India, Sun pharma etc. The ratings however are constrained by small scale of operations in the pharmaceutical industry with revenues of Rs.74.10 crore in 11M FY2016; dip in operating margins from 18.53% in FY2011 to 8.47% in FY2015 owing to higher marketing expenses and entry into new states; and tight liquidity position of the company with ~93% utilization of working capital limits during the last 12 months owing to high debtor and inventory days, however expected enhancement of working capital limits will support revenue growth and liquidity in the near term. The ratings also consider the moderate financial risk profile of the company with gearing of 0.88 times, interest coverage of 2.05 times and Debt/OPBDIT at 3.01 times for FY2015 and may have adverse impact on the capital structure and coverage indicators in the near term owing to debt funded capex of Rs. 9 crore towards renovation and upgradation of technology for its existing facilities.

The ability of the company to scale up its operations, improve its profitability, and effectively manage its working capital requirements will be the key rating sensitivity going forward.

Company Profile

Pulse Pharmaceuticals Pvt. Ltd. (PPPL) was incorporated in 1997 as a marketing organization and in 2007 it set up its own manufacturing unit in Roorkee in the state of Uttarakhand. PPPL also set up an R & D centre in 2010 in Hyderabad and has filed a patent in March 2015 for AQUEOL (Aquiol Nano) technology developed on nanotechnology platform in its R & D centre. The benefits of Aqueol technology are rapid onset action, improved oral bioavailability and improved API stability at different gastric conditions. PPPL is involved in contract manufacturing, manufacturing of formulations and marketing of products in domestic and international market for Orthopedics, Neurology (Central Nervous System- CNS), Diabetic and Gynaecology segment. The plant is WHO-GMP and PIC/S3 certified. The company sells products in the domestic market under different brand names manufactured by PPPL. PPPL has 14 C & F agents, 460+ authorized dealers and 15000+ retailer base and has presence in 15 states in India and exports to 5 countries. The Managing Director of the company Mr. K.V. Rambabu has more than 20 years of experience in the pharmaceutical industry.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.

³ Pharmaceutical Inspection Co-operation Scheme



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