

Press Release

Purple Medical Solutions Private Limited

D-U-N-S® Number:67-765-5158

September 05, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITEBBB-**' (read as **ACUITEBBB minus**) on the Rs.11.50 crore bank facilities of PURPLE MEDICAL SOLUTIONS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 2007, PMSPL is a Mumbai-based company promoted by Mr. Murlidhar Bendale, Mr. Rajesh Shrivastava, Mr. Brian Lancelot and Mr. Mathew Thomas. The company is the sole distributor for coronary stents of MIV Therapeutics (India) Private Limited (MIV). PMSPL holds 100 per cent stake in MIV.

Analytical Approach

Acuite has considered the consolidated business and financial risk profile of Purple Medical Solutions Private Limited (PMSPL) and MIV Therapeutics India Private Limited (MIV) as MIV is a 100 per cent subsidiary of PMSPL, together referred to as 'Purple Group' to arrive at the rating. Extent of consolidation: Full

About the Group

Purple Medical Solutions Private Limited acquired 100 per cent holding in MIV Therapeutics (India) Private Limited as on 31 March, 2019. The group is promoted by Mr. Murlidhar Bendale, Mr. Rajesh Shrivastava, Mr. Brian Lancelot and Mr. Mathew Thomas.

Key Rating Drivers

Strengths

• Experienced management

Purple Group is promoted by Mr. Murlidhar Bendale, Mr. Rajesh Shrivastava, Mr. Brian Lancelot and Mr. Mathew Thomas, who has been engaged in the medical device industry for more than two decades through Canadian-based MIV Therapeutics Inc. Mr. Murlidhar Bendale, polytechnic engineer, looks after the day-to-day operations of the group. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. On the back of the stable and repeat orders by the key customers, the revenues have seen a compound annual growth rate (CAGR) of about ~9.9 per cent over the past three through FY2019 (Provisional). Further, having an established presence in coronary stent industry will help the PMSPL to gain benefits from recent integration of operations with MIV.

• Moderate financial risk profile

The group's financial risk profile is moderate, marked by a moderate net worth, low gearing and above average debt protection metrics. The group's net worth is moderate estimated at around Rs.19.28 crores as on March 31, 2019 (Provisional). The net worth levels have seen improvement over the last three years through FY 2019 on account of healthy accretion to reserves during the same period. The group has followed a moderately aggressive financial policy in the past. The group's gearing improved marginally to 1.25 times as on 31 March, 2019 (Provisional) as against 1.31 times in the previous year. The total debt of Rs.24.14 crore consists of long-term debt of Rs.5.02 crore, Rs. 1.25 crore of unsecured loans from promoters and Rs.14.13 crore of short-term debt obligations. The revenue growth coupled with healthy profitability levels has resulted in healthy net cash accruals of Rs.6.1 crore during the period 2017-19 (Provisional), leading to moderate debt protection measures. The interest coverage ratio stood at 3.45 times in FY2019 (Provisional) as against 4.13 times in the

previous year. NCA/TD ratio stood at 0.29 times in FY1209 (Provisional). Acuite believes that the financial risk profile will continue to remain moderate on account of improved cash accruals and growth in revenue.

- **Improving revenues with healthy profitability margins**

Purple group showed improvement in revenues marked by operating income of Rs.41.76 crore for FY2019 (Provisional) as against Rs.39.35 crore in FY2018 and Rs.34.54 crore for FY2017. The operating margins of the group stood healthy at 24.83 per cent in FY2019 (Provisional) as compared to 24.37 per cent in FY2018 and 23.35 per cent in FY2017. The net profitability has been healthy at 8.76 per cent in FY2019 (Provisional) as compared to 7.12 per cent in FY2018 and 6.76 per cent in FY2017. The margin is likely to remain at a similar level over the medium term owing to continuation of reduction in purchase cost arising from backward integration by PMSPL acquiring MIV.

Weaknesses

- **Working capital intensive operations**

The group's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 365 days as on March 31, 2019 (Provisional). The group also maintains 148 days of finished goods of inventory in order to cater to spot orders from customers. On the other hand, the group gets a limited credit period from its supplier, leading to higher reliance on working capital limits. Further, it allows a credit period of ~150 days to its customers and allows an extended period to acquire new clientele or to penetrate more into newer territories. The group's working capital limits over the last six months period was utilized at an average of ~88 per cent, while the peak utilization was high at around 94 per cent during the same period. Acuite expects the operations of the group to remain working capital intensive on account of the high inventory levels maintained by the group to cater to spot orders.

- **Competitive nature of industry**

The group faces competition from premier organised players such as Sahajanand Medical Technologies Pvt Limited and Merriland Translumina, among others. The coronary stents industry is highly fragmented with the presence of both domestic and international players. However, the scale of operations is likely to remain marginal over the medium term due to exposure to intense competition and the presence of large players in the industry. Further, any adverse impact of regulatory changes with respect to pricing will impact the business risk profile.

Liquidity Position

The group has adequate liquidity marked by its moderate net cash accruals as compared to its maturing debt obligations. The group generated cash accruals of Rs.4.7 crore –Rs. 6.1 crore during the last three years through 2017-19 (Provisional), while the maturing debt obligations were in the range of Rs.2.5 crore – Rs. 4.7 crore over the same period. The cash accruals are estimated to be in the range of Rs.7.2 crore – Rs.9.0 crore during 2019-21, while its repayment obligations at Rs.3.0 crore. The group maintains cash and bank balances of Rs.0.41 crore as on March 31, 2019 (Provisional). The current ratio stood healthy at 1.98 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate cash accrual over the medium term.

Outlook: Stable

Acuite believes that the group will maintain a 'Stable' outlook over the medium term on account of experienced management, improving revenues and healthy profitability, and moderate financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	41.76	39.35	34.54
EBITDA	Rs. Cr.	10.37	9.59	8.03
PAT	Rs. Cr.	3.66	2.80	2.33
EBITDA Margin	(%)	24.83	24.37	23.25
PAT Margin	(%)	8.76	7.12	6.76
ROCE	(%)	20.33	19.67	18.06
Total Debt/Tangible Net Worth	Times	1.25	1.31	1.35
PBDIT/Interest	Times	3.45	4.13	3.56
Total Debt/PBDIT	Times	2.33	2.11	2.33
Gross Current Assets (Days)	Days	365	329	330

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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