Acuité RATINGS & RESEARCH

Press Release

Purple Medical Solutions Private Limited

April 08, 2021

Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs.15.92 Cr. (Enhanced from Rs.11.50 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' **(read as ACUITE triple B minus)** on the Rs.14.50 Cr and also assigned the long-term rating of '**ACUITE BBB-**' **(read as ACUITE triple B minus)** on the Rs.1.42 Cr bank facilities of Purple Medical Solutions Private Limited (PMSPL). The outlook is **'Stable'**.

Incorporated in 2007, PMPL is a Mumbai-based company promoted by Mr. Murlidhar Bendale, Mr. Rajesh Srivas, Mr. Brian Lancelot and Mr. Mathew Thomas. The company is the sole distributor for coronary stents of MIV Therapeutics (India) Private Limited (MIV). PMPL holds 100 percent stake in MIV. PMPL and MIV has been merged in FY2020. Further, Micro Port Scientific India Private Limited has taken 32 per cent holding in PMPL. It has brought an investment of around Rs.30.00 crore along with basket of products.

Analytical Approach

During previous rating exercise, Acuité has considered the consolidated business and financial risk profile of Purple Medical Solutions Private Limited (PMPL) and MIV Therapeutics India Private Limited (MIV) as MIV was a 100 percent subsidiary of PMPL to arrive at the rating. However, Acuité has now considered the standalone financial and business risk profile of PMSPL to arrive at the rating as MIV was merged into PMPL in FY2020.

About the group

Purple Medical Solutions Private Limited acquired 100 percent holding in MIV Therapeutics (India) Private Limited as on 31st March, 2019. The group is engaged in manufacturing and distributing coronary stents. It is promoted by Murlidhar Bendale, Mr. Rajesh Srivas, Mr. Brian Lancelot and Mr. Mathew Thomas.

Key Rating Drivers

Strengths

• Extensive industry experience of management

Purple group is promoted by Mr. Murli Bendale, Mr. Rajesh Srivas, Mr. Brian Lancelot and Mr. Mathew Thomas. The promoters of the group have been engaged in the medical equipment industry for more than two decades through Canadian based MIV Therapeutics Inc. Mr. Murli 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.
Further, having an established presence in medical equipment industry, will help the PMPL to gain benefits from recent integration of operations with MIV.

• Healthy business risk profile

Micro Port Scientific India Private Limited (MPSI), a wholly owned subsidiary of Micro Port Scientific Corporation is engaged in providing medical solutions through their basket of products. Micro Port Scientific Corporation's products are approved for use in over 5000 hospitals and 80 countries. MPSI has invested ~Rs.30.00 crore in PMSPL and now holds 32 per cent shares. Along with this, MPSI has brought in their technology to manufacture other basket of products in PMSPL.

Acuité believes that PMPL will benefit to upscale its scale of operations and liquidity because of MPSI.

- **Moderate financial risk profile**

The group's financial risk profile is moderate, marked by high networth, low gearing and moderate debt protection metrics. The group's networth is high at around Rs.39.53 crores as on March 31, 2020 as against Rs.20.37 crore as on March 31, 2019. The networth levels have seen improvement over the last three years on account of healthy accretion to reserves during the same period. However, reserves have not increased significantly in FY2020 inspite of receiving Rs.30.00 crore of share premium from MPSI. This is because manufacturing company i.e. MIV and trading company, i.e. PMPL was merged during FY2020, all the inventories were revalued and written off along with other expenses to the tune of Rs.14.73 crore. The group has followed a moderately aggressive financial policy in the past. Gearing improved to 0.58 times as on 31 March, 2020 from 1.13 times in the previous year. The total debt of Rs.23.00 crore consists of long-term debt of Rs.1.61 crore, Rs.4.31 crore of unsecured loans and Rs.17.08 crore of short-term debt obligations. The revenue and profitability deterioration has resulted in deterioration in net cash accruals of Rs.2.05 crore during 2020, leading to moderate debt protection measures. The interest coverage ratio stood at 2.53 times in FY2020 as against 3.50 times in the previous year. NCA/TD ratio stood at 0.09 times in FY2020.

Acuité believes that the financial risk profile will continue to remain moderate on account of expected growth in net cash accruals and scale of operations.

Weaknesses

- **Deterioration in revenues and profitability margins**

The group showed deterioration in revenues marked by operating income of Rs.36.51 crore for FY2020 as against Rs.42.54 crore in FY2019. This is majorly because of deterioration in business for the month of February which impacted the procurement of raw materials and also due to reduction in demand. The operating margins of the group deteriorated to 20.77 per cent in FY2020 as against 23.70 per cent in FY2019. The net profitability has deteriorated to 2.14 per cent in FY2020 as against 5.98 per cent in FY2019. Acuité believes that scale of operations will improve in near future at the back of expected increase in the number of products Micro Port Scientific India Private Limited has brought in.

- **Working capital intensive operations**

The company has intensive working capital operations marked by high Gross Current Assets (GCA) of 631 days for FY2020 as against 340 days for FY2019. The debtors increased to 231 days for FY2020 as against 214 days for FY2019. The inventory level stood at 115 days for FY2020 as against 133 days for FY2019. This majorly because company provides a set of coronary stents to each hospital which includes 48 different stents. It provides it to them on consignment basis and invoice is raised only when a particular product is used. Hence, until the product is used, it is shown in the company's inventory and not in the hospital's inventory. Further, the average bank limit utilization stood at ~85 percent for past six months ended February, 2021.

Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Competitive nature of industry**

The company faces competition from premier organised players such as Sahajanand Medical Technologies Pvt Ltd and Merriland Translumina, amongst 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: Stretched

The group has stretched liquidity marked by its moderate net cash accruals as compared to its maturing debt obligations. The group generated cash accruals of Rs.2.05 to 5.98 crore during the last three years through 2018-20, while the maturing debt obligations were in the range of Rs.0.40 to 4.74 crore over the same period. Net cash accrual is expected to be in the range of Rs.4.00 to 9.00 crore for the period FY2021-23 while repayment obligation is expected to be in the range of Rs.1.20 to 2.20 crore for the same period. Further, the average bank limit utilization stood at ~85 percent for past six months ended February, 2021. The group maintains cash and bank balances of Rs.30.30 crore as on March 31, 2020. The current ratio stood healthy at 2.31 times as on March 31, 2020.

Acuité believes that the liquidity of the group is likely to improve over the medium term on account of expected increase in scale of operations and cash accrual over the medium term.

Outlook: Stable

Acuité 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.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability margins.
- Deterioration in financial risk profile and working capital operations/ of the company.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Crore	36.51	42.54
Profit after tax (PAT)	Rs. Crore	0.78	2.54
PAT margin	%	2.14	5.98
Total debt / Tangible Net worth	Times	0.58	1.13
PBDIT / Interest	Times	2.00	3.44

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Sept-2019	Cash Credit	Long Term	11.50	ACUITE BBB- /Stable (Assigned)

***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	14.50 (Enhanced from Rs.11.50 Cr)	ACUITE BBB- /Stable (Reaffirmed)
Term Loan	16-03-2018	9.60%	31-03-2025	1.42	ACUITE BBB- /Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Saurabh Rane Analyst - Rating Operations Tel: 02249294044 saurabh.rane@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022- 67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
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