

A S Pharma Private Limited

June 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	65.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

CARE Ratings Ltd. has been seeking information from A S Pharma Private Limited (AS Pharma) to monitor the rating(s) vide e-mail communications dated May 21, 2024, May 23, 2024, June 11, 2024, and June 18, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on AS Pharma's bank facilities will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by A S Pharma Private Limited with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. The rating is constrained by company's modest albeit growing scale of operations, low profitability margins owing to trading nature of business and company's below average financial risk profile marked by leveraged capital structure and weak debt service indicators. The rating is further constrained by company's presence in a highly competitive industry having exposure to regulatory risk. The rating also factors in company's elongated operating cycle marked by a stretched collection period. The rating, however, derives comfort from experienced promoter group and strong management team as well as diversified supplier base.

Analytical approach: Consolidated. The consolidated business and financial risk profiles of A S Pharma Private Limited and its wholly owned subsidiary Roshan Distributors Private Limited have been considered as these companies (together referred as 'Group') are in similar line of operations and have common management. Details of subsidiary is mentioned in **Annexure-6**.

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on June 13, 2023, the following were the rating weaknesses and strength

Key weaknesses

Modest albeit growing scale of operations-The scale of operations of A S Pharma Private Limited has historically remained modest however the same is growing steadily as marked by CAGR of 17.42% over period ranging from FY18 (refers to the period April 1 to March 31) to FY22. During FY23, a wholly owned subsidiary, Roshan Distributors Private Limited was incorporated and at consolidated levels, the group achieved a total operating income of Rs 180.90 crores (excluding inter group transactions).

Low profitability margins Due to the trading nature of the business, PBILDT margin remained low in the range of 4.00% - 6.00% during the period FY18 – FY22. For FY22, PBILDT margin moderated to 5.28% compared to 5.86% in FY21 on account of mutation in demand post covid. Further, in FY23 the management incorporated, another entity named, Roshan Distributors Private Limited to deal in selling of pharmaceutical products with major clientele being retail chemists wherein the margins are on lower side owing to presence in highly competitive space. Resultantly, the margins moderated further on consolidated levels and stood at 5.14% in FY23. PAT margin moved in tandem with the PBILDT margin and stood at 2.79% in FY22 and 2.10% in FY23 at consolidated level.

Below average financial risk profile - As on March 31, 2023 the debt profile of the group consists of working capital limit, term loans and unsecured loans aggregating to Rs 53.81 crore against tangible net worth of Rs 25.75 crores. During FY23, management availed external borrowing in form of term loan for acquiring office premises for A S Pharma Private Limited and

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

working capital limits for new entity Roshan Distributors Private Limited resulting in moderation in the capital structure of the group as marked by overall gearing of 2.09x as on March 31, 2023 against 1.30x in previous year. Further, on account of moderation in low profitability of the company, the debt service indicators remained weak as marked by interest coverage ratio of 3.09x and total debt to GCA ratio of 12.55x for FY23 against 3.84x and 5.69x in FY22.

Elongated operating cycle: Operations of the group are working capital intensive marked by gross current assets of around 156 days in FY23 which was primarily on account of elongated collection period of 46 days. Further, due to group's presence in wholesale industry, the group has to maintain relatively large stock of pharmaceutical products to cater to various retail businesses resulting in average inventory holding of 30-45 days. Group usually receives credit of one month from major pharmaceutical manufacturers and hence has to rely on external borrowing for working capital needs.

Intense competition and exposure to regulatory risk: A S Pharma group faces intense competition in the market. The players in the industry faces issues like pricing pressure, increasing regulations, and increased sensitivity towards product performance. The pharmaceutical industry has been a highly regulated industry worldwide by virtue of its direct bearing on public health. In India too, government policies have played key role in performance of companies such as explicit control on drug prices in the form of drug price control order (DPCO). Fortune of A S Pharma group is directly linked to demand of the products manufactured by the authorised suppliers. Any regulatory action on these drug manufacturers will have direct bearing on the operational performance of the group.

Key strength

Experienced promoter group and strong management team - The group is headed by Mr. Santosh Dudeja who has over three decades of experience in pharma trading & distribution. The business operations of the group have benefited from his long-established track record in the business and the vast industry network developed over the years. He is assisted by Mr. Nippun Dudeja, MSc Finance who holds experience as investment professional whereby he has invested in various startups including ones in medical and pharmaceutical field. They are also well supported by a team of experienced professionals having considerable experience in the segment, to look after the day-to-day operations.

Diversified supplier base albeit limited bargaining power: There are various drug manufacturers who supply medical products to group including established players like Cipla Ltd (CARE AAA; Stable/ CARE A1+), Pfizer, Zydus, Smiths Medical, Dr. Reddy Lab Ltd etc. Long standing relationship with the suppliers provide an edge to the group's operations. The position of A S Pharma Private Limited and Roshan Distributors Private Limited with respect to its suppliers is quite small and hence it does not command the bargaining power to affect the price charged by them.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Pharmaceuticals](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

[Consolidation](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

A S Pharma Private Limited is engaged in distribution of super- speciality pharmaceutical products such as medicines, surgical & medical devices, and vaccines etc through cold-chain network. The company is based out of Delhi and has PAN India distribution through branch offices at Faridabad, Chandigarh, Jammu, Lucknow, Bhubaneswar, Guwahati and Kolkata. The Company is dealing with around 500 customers which include Ministry of Health, Employees' State Insurance Cooperation (ESCI), Max Healthcare, Fortis, BLK Hospital, Medanta Group etc. The company has partnered with over 250 Pharma Companies which include Cipla (CARE AAA; Stable/ CARE A1+), Pfizer, Dr Reddy's, Zydus etc. and 20 surgical companies

such as 3M, Romsons, Braun, Smiths Medical for selling of their products to retail and corporate clients. The company also has wholly owned subsidiary Roshan Distributors Private Limited with common management and same line of business.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	161.27	180.90	NA
PBILDT	8.52	9.29	NA
PAT	4.50	3.80	NA
Overall gearing (times)	1.30	2.09	NA
Interest coverage (times)	3.84	3.09	NA

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	58.50	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31/01/2030	6.50	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument / Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (10-May-22) 2)Withdrawn (10-May-22)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (26-Nov-21)
2	Fund-based - LT-Term Loan	LT	6.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (13-Jun-23)	-	-
3	Fund-based - LT-Cash Credit	LT	58.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (13-Jun-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

S.No.	Name of the entity	Extent of consolidation	Rationale of consolidation
1.	Roshan Distributors Private Limited	Full	Similar line of business with common management

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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