Corona Remedies Private Limited

November 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	73.00 (Reduced from 128.00)	CARE A+; Stable	Upgraded from CARE A; Stable
Long-term / Short-term bank facilities	70.00	CARE A+; Stable / CARE A1	LT rating upgraded from CARE A; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in long term rating assigned to bank facilities of Corona Remedies Private Limited (CRPL) factor in consistent growth in its scale of operations while maintaining profitability margins leading to healthy cash accruals in FY24 (refers to April 01 to March 31) and H1FY25 (refers to April 01 to September 30). Revision also factors sustenance of a comfortable capital structure with low reliance on external debt, despite on-going capital expenditure and brand acquisition in the last year, healthy debt coverage indicators and strong liquidity.

Ratings continue to derive strength from its qualified and experienced management with established presence in the Indian pharmaceutical formulation market, its diversified product portfolio with continued expansion through organic and inorganic route, wide marketing and distribution network, and strategic tie-ups and stable industry outlook.

However, above rating strengths are constrained by the company's limited geographical diversification, dependency on the third-party contract manufacturing, competitive and fragmented industry with inherent regulatory risk. CARE Ratings Limited (CARE Ratings) considers the completion of brownfield capex, for manufacturing female hormone formulation, which is yet to scale-up, considering extension in the completion timeline, despite no major cost overrun.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operation with total operating income (TOI) of over ₹2,000 crore while maintaining profit before interest, lease liability, depreciation and tax (PBILDT) margin over 20% on a sustained basis.
- Gross operating cycle not exceeding 100 days.

Negative factors

- Total debt to PBILDT above 1.50x on sustained basis.
- Significant increase in the working capital intensity with gross operating cycle exceeding 150 days.

Analytical approach: Standalone

Outlook: Stable

The outlook on CRPL's long-term rating is stable, considering inherent strength of its sales and distribution network and its wide portfolio of the branded generic formulation, having major focus on the chronic segment, which would enable it to sustain its healthy business risk profile in the near-to-medium term.

Detailed description of key rating drivers:

Key strengths

Consistent growth in its scale of operations with healthy profitability

CRPL's revenue grew at a healthy compounded annual growth rate (CAGR) of ~21% in the last three years ended FY24. Year-over-year (y-o-y), CRPL's TOI grew by 15% from ₹884.61 crore in FY23 to ₹1014.96 crore in FY24. The company's growth over the years has been supported by penetration of the existing brands and expansion in the product portfolio through acquisition and new brand launches. The company continues to exhibit healthy growth in the chronic segments like gynaecology, cardiovascular system, vitamins/nutrients, hormones, gastroenterology and diabetology among others.

CRPL has a healthy gross margin of ~70-80%. Profitability remained healthy marked by PBILDT margin of 15.41% in FY24 (FY23: 14.55%). With a healthy PBILDT margin and moderate depreciation and low interest and finance cost, profit after tax (PAT) margin stood at 8.92% in FY24 (FY23: 9.58%). Gross cash accruals (GCA) also grew from ₹104.49 crore in FY23 to ₹127.88 crore in FY24.

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

Continuing its growth momentum, CRPL reported TOI of ₹614.40 crore with PBILDT and PAT margin of 17.17% and 10.42%, respectively in H1FY25. Improvement in the PBILIDT margin in H1FY25 was considering better product mix and improvement in operational efficiencies stemming from workforce additions made in recent years.
CARE Ratings expects CRPL to grow its revenue at a CAGR of ~17-20% supported by strong focus on chronic segment with further market penetration and addition of newer therapeutic segments, whereas PBILDT margin is expected to improve to ~18-20% with economies of scale, improving sales force productivity, and focus on high-margin products.

Comfortable capital structure and healthy debt coverage indicators
CRPL has comfortable capital structure marked by overall gearing of 0.33x as on March 31, 2024, against 0.07x as on March 31, 2023. Moderation in overall gearing at end of FY24 was considering availment of debt for the acquisition of 'Myoril' brand. Total debt increased from ₹27.96 crore as on March 31, 2023, to ₹158.96 crore as on March 31, 2024. However, with the scheduled repayment and part pre-payment of the term debt, its total debt reduced to ₹104.32 crore as on September 30, 2024. The company's tangible net-worth remained healthy and stood at ₹520.50 crore as on September 30, 2024.
Despite availment of new debt, CRPL's debt coverage indicators continued to remain strong marked by a PBILDT interest coverage and total debt to GCA (TD/GCA) of 10.84x and 1.24 years, respectively, in FY24 and 21.80x and 0.61 years, respectively, in H1FY25. Going forward, with no major debt-funded capex in pipeline and pre/repayment of term debt availed for brand acquisition, CARE Ratings expects CRPL to continue to maintain its comfortable capital structure and strong debt coverage indicators.

Qualified and experienced management
CRPL is promoted by Dr Kirtikumar L Mehta (Non-Executive Chairman) who has over four decades of experience in medicine and looks after the general administration and export operations. He is assisted by his sons, Nirav Mehta (Managing Director & CEO) and Ankur Mehta (Joint Managing Director), who look after overall functioning of the company. Further, the promoters are supported by a qualified second-tier management with well-defined organisational structure and an adequate management information system. CRPL's board comprises six directors, including Kshitij Sheth of ChrysCapital as a nominee director and Ameet Desai as an independent director, who are benefiting the company in terms of growth and corporate governance.
ChrysCapital, a private equity firm along with its associates, holds 27.50% equity stake in CRPL as on March 31, 2024, while the balance is being held by the promoters.

Diversified product portfolio with continued expansion through organic and inorganic route
CRPL has a wide portfolio of over 580 products with 71 brands (of which one brand is of over ₹100 crore and two brands are of over ₹50 crore each in FY24) across therapeutic segments such as gynaecology, cardiovascular system, pain management, vitamins/nutrients, hormones, gastroenterology, diabetology, anti-infective, and respiratory system, among others.
Top five therapeutic segments contributed ~79% of CRPL's total net sales in FY24 (FY23: 78%). Overall, CRPL derives ~50-60% revenue from the chronic segment with balance from the acute segment. Higher share of chronic therapeutics in the overall revenue generally provides better revenue stability and profitability to CRPL. CRPL's top 10 brands contributed ~47% of its total net sales in FY24 (FY23: 45%) depicting moderately diversified product portfolio.
Over the years, the company's focus has been to grow through organic and inorganic routes. Over the past few years, CRPL has acquired several brands from reputed multinational pharmaceutical players. These brands have shown a healthy growth compared to its baseline sales, exhibiting the company's sound marketing and distribution strength.
In July 2023, the company acquired 'Myoril' brand from Sanofi India Limited and commenced its sales from September 2023. The brand has received a strong response and is expected to cross ₹100 crore by FY26.

Wide marketing and distribution network
CRPL has PAN-India marketing and distribution network with strong team of ~2,600 field medical representative (MR) as on September 30, 2024. This large marketing team is across India, covering over 180,000 unique doctors and over 2,50,000 pharmacies. CRPL has two warehousing facilities, one at Ahmedabad and other at Solan, Himachal Pradesh and 22 C&F facilities, enabling faster movement of its products across India.
In past 20 years of its operational track record, CRPL grew significantly and is currently ranked 31st (Source: PharmaTrac MAT September-24) in the Indian pharmaceuticals market.
With its expansion in different parts of the country, CARE Ratings notes the share of western India in CRPL's overall sales mix has reduced steadily in the last five years from 59% in FY20 to 46% in FY24 and further to 44% in H1FY25.

Various strategic tie-ups
CRPL has in-licensing tie-ups and co-marketing arrangements with Ferring Pharmaceuticals Private Limited (a subsidiary of Switzerland-based global biopharmaceuticals company, Ferring Pharmaceuticals) for four products (under gynaecology and

urology). It has also entered in co-marketing agreements with Albert David Limited (ADL; rated 'CARE A; Stable/CARE A1') in FY22 and launched a new formulation brand with ADL's technical support and supply.
CRPL holds 33.50% equity stake as on March 31, 2024 (33.50% stake as on March 31, 2023), in La Chandra Pharmalab Private Limited (LCPL), which is a largest manufacturer of female hormone active pharmaceutical ingredient (API) at its EU-GMP-certified plant at Palanpur, Gujarat. This backward integration would ensure adequate operational control and an assured supply of the key raw materials for its female hormone formulations manufacturing plant at Ahmedabad.

Stable industry outlook

The Indian pharmaceutical sector is currently valued at US$50 billion poised for robust growth, with projections indicating an ~9% increase to surpass US$70 billion By FY27, driven by domestic market expansion which is anticipated from a 4% price increase, new product introductions, a growing share in chronic therapies, and deeper market penetration in tier-2 and tier-3 cities.
These developments are supported by increasing consumer awareness, enhanced digital engagement, and strategic industry consolidation through mergers and acquisitions to bridge gaps in brands and therapeutic areas. In the export sector, growth is expected from diversifying in specialty molecules, capitalising on opportunities in the off-patent market, and increased penetration in ROW markets.

Key weaknesses

Limited geographical diversification

The company has limited geographical diversification with sales in the domestic market accounting for ~97% of overall revenue in FY24 (FY23: 97%) with balance being the export sales. While the company's domestic sales growing at healthy pace, management intends to focus on the export market gradually over medium term. Though this insulates the company from global headwinds, it also limits its growth prospects.

Dependence on contract manufacturing

CRPL outsources part of its manufacturing requirements which led to low overheads and high asset turnover over the years. In FY24, share of in-house manufacturing stood at ~64% of the overall sales mix (FY23: 62%), while the balance was from contract manufacturing.
Although contract manufacturing keeps the business model asset light, it poses supply chain-related issues regarding quality control and resultant reputation risk. However, the company largely gets low value-added formulation products including injectables manufactured through contract manufacturers.
Also, with the commencement of the sales from the EU-GMP compliant plant and addition of new line at the existing plant at Ahmedabad, CARE Ratings expects the sales proportion of in-house manufacturing to contract manufacturing would gradually improve to 75:25 in the medium-term.

Completion of the capex despite yet to scale-up

CRPL completed the construction and equipment installation at its female hormone formulations plant (adjacent to Oral Solid Dosage [OSD] plant at Ahmedabad) in Q2FY25. The plant is ready for product validation. However, considering the time required for product validation and trial runs, CRPL expects commercial production in Q1FY26. Presently, the company manufactures female hormones formulations at its Solan plant and after stabilisation of operations some products will be shifted to this plant from FY26 onwards.
The total project cost of ~₹110 crore was entirely funded through internal accruals. CARE Ratings notes moderate time and cost overrun in the project mainly due to a change in technical specifications.
CRPL is also increasing its production capacity by ~1.5x at its existing OSD plant with a cost of ~₹60 crore. This will entirely be funded through internal accruals. As on September 30, 2024, CRPL has already incurred cost of ~₹30 crore, with operations are expected to commence from Q3FY26.
Commercialisation of the above two capex shall lead to substantial increase in the company's production capacities with planned addition of new products. Accordingly, completion and stabilisation of this and achieving envisaged benefit would remain crucial.

Exposure to inherent regulatory risk and presence in competitive industry

CRPL is exposed to the regulatory risks inherent to the pharmaceuticals industry. The players in the industry need to adhere to stringent quality standards. Good manufacturing practice (GMP) must be followed for the manufacturing and quality control of drugs. The government also controls the prices of pharmaceutical products through the drug price control order (DPCO) under price control mechanism. However, CARE Ratings notes CRPL currently derives only ~10% of its revenue from products covered under DPCO, which provides it a financial flexibility.

In May 2023, CRPL received the EU-GMP certification for its Ahmedabad plant. While CRPL has started dossier filings with concerned authorities, CARE Ratings notes export to European countries may take some time considering the lengthy approval process. However, CRPL has already commenced production from the plant from FY22 onwards per EU-GMP compliances and currently caters the domestic market.
The pharmaceutical formulation market is highly competitive in the generic segment medicines which command lower prices. CRPL is primarily engaged in marketing branded generic formulations in domestic market, which exposes it to intense competition and pressure on selling price.

Liquidity: Strong
CRPL has strong liquidity characterised by healthy cash accruals against its low term debt repayment obligations, healthy liquid investment and cash and bank balance, and low working capital utilisation. Average fund-based working capital utilisation remained negligible for the last 12-months ended September 30, 2024, providing significant cashflow cushion.
CRPL is expected to earn GCA of over ₹180-190 crore against its debt repayment obligation of ₹36 crore in FY25 (excluding lease liability of ₹2 crore). Considering strong cash flows, CRPL has already re-paid ₹33 crore of its term debt obligations in H1FY25 (including pre-payment of ₹15 crore).
Envisaged cash accruals and availability of free cash and bank balance and liquid investments (majorly in the fixed deposits) to the tune of ₹42 crore as on September 30, 2024, would be sufficient to cater its capex requirement over the near-to-medium term.
CRPL reported healthy cash flow from operations of ₹156.76 crore in FY24 (FY23: ₹102.70 crore) and its current and quick ratio stood at 1.13x and 0.77x, respectively, as on March 31, 2024. Debtor and inventory days largely remained aligned with the previous year at 33 days and 49 days, respectively in FY24. Consequently, the company's operating cycle also remained largely stable y-o-y at 39 days in FY24 against 40 days in FY23.

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Pharmaceuticals]
[Financial Ratios – Non financial Sector]
[Short Term Instruments]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals and biotechnology	Pharmaceuticals

Incorporated in August 2004, CRPL (CIN: U24231GJ2004PTC044656), Ahmedabad-based company, is engaged in manufacturing and marketing branded generic formulations. Promoted and controlled by the Mehta family, CRPL started its operations by marketing of formulations. CRPL operates two manufacturing units, one in Solan (Himachal Pradesh, WHO-CGMP certified which started operations in 2007) and other at Bavla (Ahmedabad, EU-GMP certified which commenced operations in March 2021).
ChrysCapital, a private equity firm along with its associates, holds 27.50% equity stake in CRPL as on March 31, 2024, while the balance is being held by the promoters.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	884.61	1,014.96	614.40
PBILDT	128.75	156.43	105.50
PAT	84.70	90.50	64.00
Overall gearing (times)	0.07	0.33	0.20
Interest coverage (times)	30.16	10.84	21.80

A: Audited Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	May 2028	73.00	CARE A+; Stable
Fund-based/non-fund-based-LT/ST	-	-	-	-	70.00	CARE A+; Stable / CARE A1

Annexure-2: Rating history for 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/Non-fund-based-LT/ST	LT/ST	70.00	CARE A+; Stable / CARE A1	1)CARE A; Stable / CARE A1 (05-Apr-24)	-	1)CARE A; Stable / CARE A1 (08-Mar-23)	1)CARE A; Stable / CARE A1 (20-Dec-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (08-Mar-23)	1)CARE A; Stable (20-Dec-21)
3	Fund-based - LT-Term Loan	LT	73.00	CARE A+; Stable	1)CARE A; Stable (05-Apr-24)	-	-	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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