

Agilemed Investments Private Limited

December 16, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Non- Convertible Debentures	275.00*	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Total Instruments	275.00 (Rs. Two Hundred Seventy-Five Crore Only)		

Details of instruments/facilities in Annexure-1

**Proposed Issue*

Detailed Rationale & Key Rating Drivers

The rating assigned to Non-Convertible Debentures of Agilemed Investments Private Limited is primarily constrained by absence of cash flows as it is a proposed investment company of MedPlus Health Services Private Limited (MedPlus), high debt exposure with high redemption premium, dependence on either an Initial Public Offering (IPO) or third party buyout of MedPlus for redemption of NCD on its due date and nascent stage of the transaction. However, the rating is underpinned by experienced and resourceful promoters and strong operational track record of the MedPlus group.

Rating Sensitivities

Positive Factors:

- MedPlus IPO materializing with 1 year from the date of allotment of Debentures

Negative Factors:

- MedPlus unable to conclude its IPO within 2.5 years from the date of allotment of Debentures

Detailed description of the key rating drivers

Key Rating Weaknesses

Nascent stage of transaction:

The company proposes to raise NCD amounting to Rs.275 crore in single tranche and the proceeds from the same will be utilized to take over the existing stake in MedPlus in the range of 14%-15%. However, the said transaction is in nascent stages.

Absence of cash flows:

Incorporated in the year 2008, Agilemed Investments Private Limited is promoted by Mr.Madhukar Reddy Gangadi. It is a special purpose vehicle which is a wholly owned subsidiary of Gangadi Investments Private Limited. It is initially incorporated as Ritecure Pharma Private Limited (subsequently the name was changed to Agilemed Pharma Private Limited) and on December 09, 2020 the name was rechristened to Agilemed Investments Private Limited for the purpose of acquisition of 14%-15% stake in Medplus Health Services Private Limited. There are no operations and cash flows in the company.

High debt exposure with high redemption premium:

The company proposes to raise NCDs of Rs.275 crore and the same is proposed to be redeemed on maturity along with a high premium.

Dependence either on IPO or third party buyout of MedPlus

As Agilemed is an investment vehicle with no operations/cash flows, it is entirely dependent either on success of IPO or third party buyout of MedPlus for redemption of NCD on its due date.

Key Rating Strengths

Experienced and resourceful Promoters

The key promoter of MedPlus Health Services Private Limited is Dr. Madhukar Reddy, is a doctor by profession and had done master's in business administration from Wharton School of Business. Dr. Reddy is the chief mentor for the MedPlus group companies in their strategic planning and decision making. He has more than two decades of experience in various fields of business and functions such as launching and growing IT outsourcing organizations, sales, marketing, fundraising and recruitment. Mr. Cherukupalli Bhaskar Reddy in another Director of the company who has more than a decade and half experience in different fields of retail and Wholesale Business. Further, during FY20, PI Opportunity (Promoted by Mr.Azim

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Premji) has invested Rs.204.49 crore in MedPlus by way of equity capital amounting to Rs.0.66 crore and compulsorily convertible preference shares of Rs.203.83 crore (including security premium of Rs.203.77 crore).

Overview of MedPlus –A reputed and second largest pharma retail player in India

Medplus Health Services Private Limited belongs to Hyderabad based MedPlus Group. MedPlus is operating over 1,700 pharma stores under ‘MedPlus’ brand and 29 optical stores. Further, MedPlus is India’s second largest pharmacy retail chain. The various business in which MedPlus operates include retail sale of pharma products, FMCG and private label products(own brand). MedPlus at standalone level is into Pathological laboratories (Pathlabs) business and the major retail business of the group is operated by its subsidiary company viz, Optival Health Solutions Private Limited. The other companies in the group are MHS Pharmaceuticals Private Limited, Wynclark Pharmaceuticals Private Limited, Sai Sridhar Pharma Private Limited which are into similar line of distribution of pharma products and other retail products.

Liquidity: Stretched

Liquidity of the company remains stretched on account of nil operations and cash flows in the company. The proposed debt of Rs.275.00 crore with maturity of three years from the deemed date of allotments is proposed to be redeemed from cash flows either from MedPlus IPO or from third party buyout.

Analytical approach: Standalone factoring linkages with MedPlus group and being promoted by an experienced promoter.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings and watch

CARE’s Policy on Default Recognition

Financial Ratios – Non-Financial Sector

Factoring Linkages in Ratings

Liquidity Analysis of Non -Financial sector entities

Rating of Loans by investment Holding companies

About the Company

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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 for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of * Issuance	Coupon * Rate	Maturity * Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	-	-	Three years from the Deemed Date of Allotment	275.00	CARE BB; Stable

***Proposed Issue**

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	275.00	CARE BB; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA
Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple

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

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