

MAY 27, 2016

## CARE REAFFIRMS THE RATING ASSIGNED TO THE NCD ISSUE OF MEDPLUS HEALTH SERVICES PRIVATE LIMITED

**Ratings**

Instrument	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Non-Convertible Debenture Issue	43	<b>CARE BBB- (Triple B Minus)</b>	Reaffirmed
<b>Total Facilities</b>	<b>43 (Rupee forty three crore only)</b>		

**Rating Rationale**

CARE in its analysis has considered combined business and financial risk profiles of Optival Health Solutions Private Limited, Ritemed Pharma Retail Private Limited, MHS Pharmaceuticals Private Limited, PanIndia Pharma Distributors Private Limited and Medsupply Distributors Private Limited together referred as Medplus group, as the entities are in similar line of business and are under common management

The rating assigned to the non-convertible debenture (NCD) issue of MedPlus Health Services Private Limited (MedPlus) continues to derive strength from the experienced and resourceful promoters, market position of the group in the pharma retail industry, geographically diversified stores, majority of the outlets being profit-generating units, synergy derived by the group on account of backward integration in pharmacy retailing value chain and favourable industry prospects. The rating also factors in healthy growth in the total operating income during FY16 (provisional; refers to the period April 01 to March 31) at consolidated level.

The rating is, however, constrained by thin profitability margins with decline in profit level in FY16, relatively weak capital structure with further deterioration in overall gearing ratio and highly fragmented industry with competition from existing organised and unorganised players. The ability of the company to continue to expand the scale of operation with subsequent improvement in profitability and capital structure and efficiency manage the working capital requirement are the key rating sensitivities.

**Background**

Incorporated in 2006, MedPlus Health Services Private Limited (MedPlus) belongs to the Hyderabad based MedPlus group, promoted by Dr. Madhukar Gangadi. MedPlus is the holding company of the group which is India's second largest pharmacy retail chain. The various businesses in which the group operates include retail sale of pharma products, FMCG and private label products. MedPlus at

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

standalone level is into Pathological laboratories (Pathlabs) business and the major retail business of the group is operated by its subsidiary companies viz, Optival Health Solutions Private Limited (Optival; rated CARE BBB-) and Ritemed Pharma Retail Private Limited (Ritemed; rated CARE BBB-).

Currently the group operates 1319 pharmacy outlets, out of which 1013 outlets are operated by Optival and 306 outlets are operated by Ritemed. The other companies of the group are Pan India Pharma Distributors Private Limited, MHS Pharmaceuticals Private Limited, MedPlus Supply Distributors Private Limited and Ritecure Pharma Private Limited which are into same line of distribution of pharmaceutical and other retail products.

As per FY16 (Provisional) (FY refers to the period April 1 to March 31), MedPlus (at consolidated level) has reported a total income of Rs.1,736.14 crore (Rs.1371.29 crore in FY15) and a PAT of Rs.5.59 crore (Rs.7.46 crore in FY15).

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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