

June 14, 2023

Intas Pharmaceuticals Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating (Outstanding)
Long-term/ Short-term; Fund-based/ Non-fund Based Limits	1,500.0	1,500.0	[ICRA]AA+ (Stable) / [ICRA]A1+
Total	1,500.0	1,500.0	

*Instrument details are provided in Annexure-I

Rationale

On June 06, 2023, ICRA was apprised through a media release that one of the manufacturing units of Intas Pharmaceuticals Limited (IPL) at Pharmez SEZ (Ahmedabad, Gujarat) had received an import alert from the United States Food and Drug Administration (USFDA). As a result of the development, the company has been advised to discontinue manufacturing operations for the US market till resolution of the alert. Earlier in December 2022, the USFDA had issued a Form 483 with 11 observations for this facility. According to the company's management, 26 products (out of ~45) being manufactured at the facility are currently exempt from the import alert.

Given that resolution of the import alert could potentially be a long-drawn process, the development will adversely impact IPL's new product approvals and launches in the US generics. Accordingly, the company's revenues from the US are likely to moderate with impact on earnings owing to costs associated with remediation measures and fulfilling existing contracts. That said, the overall financial impact is expected to be limited owing to relatively lower contribution from the US market to IPL's revenues, than from its other key markets, especially India and the European region. In FY2022, the US market contributed ~16% to IPL's consolidated turnover while Europe and India continued to be the key drivers with a 39% and 33% share, respectively. ICRA will continue to monitor the developments in this regard. IPL's credit profile continues to remain strong, supported by its established business profile, diversified operations, healthy internal accrual generation and strong liquidity position. As on March 31, 2023, IPL had total cash, cash equivalents and liquid investments of around Rs. 3,400 crore.

Please refer the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of IPL. As on March 31, 2022, the company had 13 subsidiaries, 30 step-down subsidiaries and one jointly controlled entity, which are all enlisted in Annexure II.

About the company

Incorporated in 1985, IPL is the flagship company of the Ahmedabad-based Chudgar Group. The company commenced operations by setting up a small manufacturing facility focused on chronic therapeutic segments, including neurology and

psychiatry, before gradually gaining meaningful presence in the domestic formulations market by the 1990s. Over the years, the company has diversified into wide therapeutic areas and ventured into international markets by exporting generic drugs and through contract manufacturing.

IPL is ranked as the seventh largest domestic formulations company, as per IQVIA MAT March 2022, generating nearly 32% of its turnover (for FY2022) from its domestic business. The company operates 18 manufacturing facilities, of which 15 are in India and the rest spread across the UK and Mexico. IPL's manufacturing facilities are approved by various regulatory authorities including the USFDA, UK MHRA, MCC (South Africa), TGA (Australia) and ANVISA (Brazil). IPL's promoters, the Chudgar family, currently own 83.84% stake in the company, with 10.13% being held by Temasek Holdings and 6.02% by Chrys Capital through four different funds.

Key financial indicators

IPL – Consolidated	FY2021	FY2022	9M FY2023 (Unaudited)
Operating income	16,492.8	18,416.1	14,945.7
PAT	2,289.8	2,679.3	2,271.2
OPBDIT/OI	22.7%	21.7%	22.5%
PAT/OI	13.9%	14.5%	15.2%
Total outside liabilities/Tangible net worth (times)	0.9	0.5	0.5
Total debt/OPBDIT (times)	1.4	0.6	0.4
Interest coverage (times)	14.0	35.7	24.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				June 14, 2023	Sep 22, 2022	Jul 19, 2021	Nov 04, 2020
1 Fund based/ Non-fund Based Facilities	Long-term and Short term	1,500.0	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short-term Fund-based/ Non-fund Based Facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based/ Non fund Based Facilities	NA	NA	NA	1,500.0	[ICRA]AA+ (Stable)/ [ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
<i>Subsidiaries</i>		
Accord Healthcare Limited, UK	100.00%	Full Consolidation
Andre Laboratories Limited	-	Full Consolidation
Astron Research Limited, UK	100.00%	Full Consolidation
Accord Healthcare Inc., North Carolina, USA	100.00%	Full Consolidation
Accord Healthcare (Proprietary) Limited, South Africa	100.00%	Full Consolidation
Accord Farmaceutica Ltda., Brazil	100.00%	Full Consolidation
Accord Healthcare SAC, Peru	100.00%	Full Consolidation
Accord Farma S.A. De C.V., Mexico	100.00%	Full Consolidation
Accord Healthcare Inc., Canada	100.00%	Full Consolidation
Accord Healthcare Pty. Ltd., Australia (w.e.f. March 02, 2018)	100.00%	Full Consolidation
Intas Third Party Sales 2005 S.L. (w.e.f. April 11, 2017)	100.00%	Full Consolidation
Accord Healthcare (Kenya) Limited (w.e.f. June 28, 2018)	100.00%	Full Consolidation
SM Herbals Private Limited	100.00%	Full Consolidation
<i>Step-down Subsidiaries</i>		
Farmbait S.A DE CV, Mexico	100.00%	Full Consolidation
Essential Pharmaceuticals LLC	100.00%	Full Consolidation
Accord Biopharma Inc. USA	100.00%	Full Consolidation
Accord Healthcare SAS, France	100.00%	Full Consolidation
Accord Healthcare BV, Netherlands	100.00%	Full Consolidation
Accord Healthcare Sociedad Limitada, Spain	100.00%	Full Consolidation
Accord Healthcare Italia SRL, Italy	100.00%	Full Consolidation
Accord Healthcare Polska Spolka Z Organiczona Odpowiedzialnoscia, Poland	100.00%	Full Consolidation
Accord Healthcare AB, Sweden	100.00%	Full Consolidation
Accord Healthcare GmbH, Austria	100.00%	Full Consolidation
Accord Healthcare OY, Finland	100.00%	Full Consolidation
Accord Healthcare Ireland Limited, Ireland	100.00%	Full Consolidation
Accord Healthcare BVPA, Belgium	100.00%	Full Consolidation
Accord Healthcare Limited, Malta	100.00%	Full Consolidation
Accord Healthcare GmbH, Germany	100.00%	Full Consolidation
Accord Healthcare SDN BHD, Malaysia	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Accord Healthcare MENA DMCC, UAE	100.00%	Full Consolidation
Accord Healthcare S.R.O., Czech Republic	100.00%	Full Consolidation
Accord Healthcare Private limited, Singapore	100.00%	Full Consolidation
Accord Healthcare, Unipessoal, Lda, Portugal	100.00%	Full Consolidation
Accord Healthcare HK Limited, Hongkong	100.00%	Full Consolidation
Accord Healthcare SRL, Romania	100.00%	Full Consolidation
Accord Healthcare AG, Switzerland	100.00%	Full Consolidation
Accord UK Limited, UK	100.00%	Full Consolidation
Accord Healthcare Thailand Limited (Thailand)	100.00%	Full Consolidation
Accord Healthcare Korea Limited, South Korea	100.00%	Full Consolidation
Accord Biosimilars LLC (w.e.f. May 29, 2020)	100.00%	Full Consolidation
Accord-Healthcare Kft., Hungary (w.e.f. October 08, 2020)	100.00%	Full Consolidation
Accord Healthcare Single Member S.A. (Greece) (w.e.f October 14, 2021)	100.00%	Full Consolidation
<i>Jointly controlled Entity</i>		
Alvi-Intas Medical Devices Private Limited	-	Equity Method

Source: IPL annual report of FY2022

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