

September 30, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00	SMERA B+/Stable (Assigned)
Letter of Credit / Bank Guarantee	1.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (**read as SMERA single B plus**) and '**SMERA A4**' (**read as SMERA A four**) to the abovementioned bank facilities of Health Secure (India) Private Limited (HSIPL). The outlook is '**Stable**'. The ratings are constrained by the company's high gearing and stretched liquidity position in an intensely competitive segment of the pharmaceutical industry. The ratings are also constrained by the decline in the operating profit margin of the company. The ratings note that the company's profitability is susceptible to volatility in prices of raw materials. However, the ratings are supported by the company's experienced management.

HSIPL, incorporated in 1997, is a Mumbai-based company engaged in manufacturing and trading of pharmaceutical products. HSIPL's gearing (total debt to tangible net worth ratio) is high at 2.90 times as on March, 31, 2014. The company's stretched liquidity position is evidenced by high utilisation (99.87 per cent) of working capital limit during January 2014 to June 2014. HSIPL faces intense competition from several players in the pharmaceutical industry. The company's operating profit margin has declined from 10.73 per cent in FY2011-12 (refers to financial year, April 01 to March 31) to 5.60 per cent in FY2013-14. HSIPL's raw material cost as a proportion of sales is high at ~86 per cent. The company's profit margins are thus highly susceptible to volatility in raw material prices.

HSIPL benefits from its experienced management. The directors of the company have around two decades of experience in the pharmaceutical industry.

Outlook: Stable

SMERA believes the outlook on HSIPL's rated facilities will remain stable over the medium term. The company's ability to expand its scale of operations without compromising on profitability and liquidity position will be a key rating sensitivity. The outlook may be revised to 'Negative' in case of sharp deterioration in the company's profit margins or financial risk profile. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability while achieving significant improvement in liquidity position and financial risk profile.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the company

HSIPL, incorporated in 1997, is a Mumbai-based company promoted by Mr. Anirudha T. Wankhede, Dr. Abhijit T. Wankhede and Mr. Arvind T. Wankhede. HSIPL is engaged in manufacturing and trading of pharmaceutical products such as oral liquids, external ointments, etc.

For FY2013–14 (refers to financial year, April 01 to March 31), HSIPL reported net profit of Rs.0.73 crore on operating income of Rs.48.47 crore, as compared with net profit of Rs.0.60 crore on operating income of Rs.22.74 crore in FY2012–13. HSIPL's net worth stood at Rs.3.37 crore as on March 31, 2014, as compared with Rs.2.62 crore a year earlier.

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