

October 27, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit*</b>	<b>0.20</b>	<b>SMERA BB+/ Stable (Assigned)</b>
<b>Export / Inland Documentary Bill Discounting</b>	<b>5.80</b>	<b>SMERA A4+ (Assigned)</b>
<b>Export Packing Credit / PCFC**</b>	<b>6.00</b>	<b>SMERA A4+ (Assigned)</b>
<b>Export Packing Credit / Bill Discounting / Inland Letter of Credit / Foreign Letter of Credit</b>	<b>5.00</b>	<b>SMERA A4+ (Assigned)</b>
<b>Letter of Credit#</b>	<b>2.50</b>	<b>SMERA A4+ (Assigned)</b>
<b>Forex / Derivatives (ECB linked transactions / FCTL / Buyer's Credit)</b>	<b>2.56</b>	<b>SMERA A4+ (Assigned)</b>
<b>Forex / Derivatives (other business purpose)</b>	<b>0.30</b>	<b>SMERA A4+ (Assigned)</b>

\*Includes sublimit of Working Capital Demand Loan facility upto Rs.0.20 crore

\*\*Includes sublimit of PSCFC/FUBD/FBP/Export/Inland documentary bill discounting facility upto Rs.6.00 crore. EPC limit also include sublimit of Letter of Credit facility upto Rs.4.50 crore

#Includes sublimit of Bank Guarantee facility upto Rs.2.50 crore

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as SMERA double B plus) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the abovementioned bank facilities of Milan Laboratories (India) Private Limited (MLIPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and strong financial risk profile. The ratings are also supported by the regulatory approvals received by the company. The ratings draw comfort from the export incentive entitlement available to the company. However, the ratings are constrained by the company's moderate operating scale and working capital-intensive operations in a highly competitive and regulated segment of the pharmaceutical industry. The ratings are also constrained by the project execution risk associated with the company's proposed manufacturing unit.

MLIPL, incorporated in 2003, is a Mumbai-based company engaged in manufacturing and export of pharmaceutical formulations. MLIPL benefits from its experienced management. Mr. Upendra Deshpande and Ms. Rohini Dongre, directors of MLIPL, have around two decades of experience in the pharmaceutical industry. MLIPL is a government recognized export house entitled to export incentive schemes proposed by the Ministry of Commerce and Industry, Government of India (GOI). The company's strong financial profile is marked by operating profit margin of 20.52 per cent and

**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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

interest coverage ratio of 4.49 times in FY2013–14 (refers to financial year, April 01 to March 31). MLIPL's gearing (debt-equity) ratio is high at 1.97 times as of March 31, 2014; however, the company's total debt of Rs.26.86 crore includes interest-bearing unsecured loans (subordinated to bank debt) of Rs.13.39 crore advanced by promoters. MLIPL's manufacturing facility is approved by WHO-cGMP and RSA-MCC; the company gained access to the European market after receiving UK-MHRA approval in FY2012–13. MLIPL's moderate-scale operations are reflected in revenues of Rs.84.96 crore in FY2013–14. The company's operations are working capital-intensive with high gross current assets (GCA) of 209 days in FY2013–14. MLIPL's business is susceptible to adverse changes in regulations governing the pharmaceutical industry.

The company plans to set up a new manufacturing facility in Dahej (Gujarat) at total project cost of Rs.46.00 crore, which is likely to be funded through bank loan of Rs.34.00 crore and promoters' funds of Rs.12.00 crore. SMERA believes delays in project execution and resultant cost overruns may impinge on MLIPL's credit profile.

### **Outlook: Stable**

SMERA believes MLIPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability while maintaining a comfortable liquidity position post timely completion of the proposed expansion project. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

### **About the company**

MLIPL, incorporated in 2003, is a Mumbai-based company promoted by Mr. Upendra Deshpande and Ms. Rohini Dongre. MLIPL is engaged in manufacturing and export of pharmaceutical formulations. The company has a manufacturing facility in Kamothe, Navi Mumbai. MLIPL caters to various reputed customers such as WHO and UNICEF.

For FY2013–14, MLIPL reported profit after tax (PAT) of Rs.6.85 crore on operating income of Rs.84.96 crore, as compared with PAT of Rs.2.07 crore on operating income of Rs.62.34 crore in the previous year. The company's net worth stood at Rs.13.62 crore as on March 31, 2014, as compared with Rs.7.00 crore a year earlier.

**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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

**Contact List:**

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a>	Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: <a href="mailto:ashutosh.satsangi@smera.in">ashutosh.satsangi@smera.in</a>	Tel: +91-22-6714 1170 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

**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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.