December 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit#	6.00 (Enhanced from Rs. 3.00 Crore)	SMERA BB/Stable (Reaffirmed)
Letter of Credit*	16.00 (Enhanced from Rs. 13.00 Crore)	SMERA A4+ (Reaffirmed)

**Includes sub-limit of buyer's credit of Rs.10.0 crore and bank guarantee of Rs.0.10 crore.*
#includes sub-limit of BELC of Rs.5.00 crore

SMERA has reaffirmed rating of '**SMERA BB**' (**read as SMERA double B**) on the enhanced long term (fund based) facility of Rs.6.00 crore and '**SMERA A4+**' (**read as SMERA A four plus**) on the enhanced short term (non-fund based) facility of Rs.16.00 crore of Del Trade International Private Limited (Del Trade). The outlook is '**Stable**'.

On November 16, 2015, SMERA upgraded the rating on the Rs.3.00 crore long term (fund based) from 'SMERA B+' (read as SMERA B plus) to '**SMERA BB**' (**read as SMERA double B**) and that of the short term facility of Rs.13.00 crore from 'SMERA A4' (read as SMERA A four) to '**SMERA A4+**' (**read as SMERA A four plus**) in view of the healthy growth in the operating income. The company registered compounded annual growth rate (CAGR) of 131 per cent over the last three years ended FY2014-15 owing to expansion of product portfolio, addition of reputed customers such as Zydus Cadilla, and Sun Pharmaceutical Limited coupled with healthy net margins of 1.99 per cent as on March 31, 2015. The rating upgrade also factors in improvement in working capital cycle to 33 days in FY2014-15 from 89 days in FY2012-13, healthy capital, moderate interest coverage indicators and utilisation (84 per cent) of cash credit limit from March to October 2015.

The company has interest bearing unsecured loans from promoters, friends and relatives worth Rs.8.45 crore in FY2014-15 that are subordinated to bank debt and will remain in the business over the medium term. SMERA has treated such unsecured loans as quasi-equity.

The ratings continue to derive comfort from the company's experienced management and moderate financial risk profile. The ratings also draw support from the healthy relations with customers and suppliers. However, the aforementioned strengths are partially offset by the intense competition in the pharmaceutical industry and the working capital intensive operations.

Outlook: Stable

SMERA believes that Del Trade will continue to benefit over the medium term, on account of the experienced management, established market position in the trading of API's (Active Pharmaceutical Ingredients) and packaging segment. The outlook may be revised to 'Positive' if Del Trade reports higher than expected revenues and profitability, or prudent working capital management. Conversely, the outlook may be revised to 'Negative', in case of decline in the company's revenue, profitability or if there's significant deterioration in the capital structure on account of larger-than-expected working capital requirements. Additionally, large, debt-funded capital expenditure (capex) taken up by the company may also adversely impact the financial risk profile.

Rating Sensitivity Factors

- Scale of operations
- Customer diversification
- Working capital cycle

About the Company

The New Delhi-based Del Trade, incorporated in 2010 was promoted by Mr. Ramesh Gupta. The company is engaged in the trading of pharmaceutical packaging material and API. Del Trade procures API from Sinopharm Weiqida Pharmaceutical Co. Ltd. China (Sinopharm) and packaging material (AluAlu foils) from Korean Aluminium Co, South Korea.

For FY2014-15, Del Trade reported profit after tax (PAT) of Rs.2.26 crore on operating income of Rs.113.90 crore as compared with PAT of Rs.0.82 crore on operating income of Rs.59.86 crore for FY2013-14. The company's net worth stood at Rs.13.16 crore as on March 31, 2015 as compared with Rs.10.90 crore a year earlier.

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