

## Press Release

### Del Trade International Private Limited (DTIPL)

12 May, 2017

#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.22.00 Cr
<b>Long Term Rating</b>	SMERA BB/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

*\*Refer Annexure for details*

#### Rating Rationale

SMERA has reaffirmed the long term rating at '**SMERA BB (read as SMERA double B)**' and short term rating at '**SMERA A4+ (read as SMERA A four plus)**' to the Rs.22.00 crore bank facilities of Del Trade International Private Limited (DTIPL). The outlook is 'Stable'.

DTI, incorporated in 2010, is a –New Delhi based company promoted by Mr. Ramesh Gupta. DTI is engaged in trading of pharmaceutical packaging material and Active Pharmaceutical Ingredients (API).

#### List of Key Rating Drivers and their detailed description

##### Strengths:

**Experienced management:** Mr. Ramesh Gupta, Mr. Nitin Aggarwal and Mr. Piyush Gupta are engaged in managing day to day operation of the company since inception.

**Comfortable financial risk profile:** The Company has comfortable financial risk profile marked by healthy and improved Networth of Rs.19.72 cr (includes quasi equity of Rs.13.65 cr) as on 31<sup>st</sup> March 2016 as compared to Rs.13.16 cr (includes quasi equity of Rs.8.45 cr) as on 31<sup>st</sup> March 2015 on account of infusion of quasi equity by the promoters and retention of profit into the business. The gearing of company stands low at 0.30 times as on March 31, 2016 as compared to 0.66 times as on March 31, 2015, the low and healthy gearing is eminent from the Networth of Rs.19.72 crore as on March 31, 2016 as against total debt of Rs.5.87 cr as on March 31, 2016 (includes the term loan of Rs. 0.13 cr and short term debt of Rs. 5.73 cr).

The interest coverage ratio of the company has declined and stands moderate at 1.86 times in FY2016 vis-à-vis 2.68 times in FY2015 on account of declining in profitability profile of the company. The Net Cash Accrual to Total Debt (NCA/TD) of the company stands at 0.27 times in FY2015-16. SMERA expects the debt protection metrics and capital structure to remain prudent on account of DTIPL's ability to maintain profitability margins over the medium term.

**Healthy scale of operation:** The operating income of the company has consistently grown with a CAGR of ~60 percent from last 3 years for the year ended FY16 and registered the operating income of Rs. 159.13 crore in FY2015-16 as compared to Rs. 113.90 crore a year

earlier. Further the company has achieved the operating income of ~Rs.141.30 crore for the period of April 2016 to January 2017 (provisional).

**Established relationship with business partners:** Owing to the long standing track of operation and experienced management the company has healthy relationship with customers like Medicef Pharma, JM Laboratories, Cosmas Research Lab Limited to name a few and suppliers like Sinopharm Weiqida Pharmaceutical Co. Ltd, Korea Aluminium India (P) Limited and Saitech Medicare (P) Limited to name a few.

#### **Weaknesses:**

**Regulatory risks inherent in the pharmaceutical sector:** DTIPL is exposed to competitive and regulatory risks associated with the pharmaceutical industry. The company's operating performance is susceptible to the regulatory environment surrounding the pharmaceutical industry standards and regulations. SMERA believes that any unfavorable change in the import, composition or pricing norms of products can result in significant affect the business risk profile of the company.

**Working Capital intensive:** The business of the company is highly working capital intensive evident from GCA days at 169 days in FY2015-16 as against 163 days in FY2014-15. The GCA days are eminent from increased debtor days of the company at 134 days in FY2015-16 as compared to 117 days in FY2014-15. Notwithstanding with the improvement the inventory days of the company stands at 24 days in FY2015-16 as compared to 38 days in FY2014-15.

**Analytical approach:** The team has considered the standalone business and financial risk profile of the company.

#### **Applicable Criteria**

- Trading Entity- <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

#### **Outlook: Stable**

SMERA believes that DTI will continue to benefit over the medium term, on account of experienced management and established market position in the trading of API's and packaging segment. The outlook may be revised to 'Positive' if DTI report higher than expected revenues and profitability, or prudent working capital management. Conversely, the outlook may be revised to 'Negative', in case of decline in DTI's revenue and profitability or significant deterioration in its capital structure on account of larger-than-expected working capital requirements or large, adversely impacting its financial risk profile.

#### **About the rated entity**

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

For FY2015-16, DTI reported PAT of Rs. 1.47 crore on operating income of Rs. 159.13 crore as compared with PAT of Rs. 2.26 crore on operating income of Rs. 113.90 crore for FY2014-15. The company's net worth stood at Rs. 19.72 crore as on March 31, 2016 as compared with Rs. 13.16 crore as on March 31, 2015. The total Networth of Rs. 19.72 crore as on March 31, 2016 includes quasi equity of Rs.13.65 crore.

**Status of non-cooperation with previous CRA (if applicable):** N.A

**Any other information:** N.A

**Rating History for the last three years:**

Name of Instrument /Facilities	FY 2017			FY2016				FY 2015		FY 2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit –I #	LT	6.00	SMERA BB/Stable (Reaffirmed)	28 Dec 2015	SMERA BB/Stable (Reaffirmed)	16 Nov 2015	SMERA BB/Stable (upgraded from SMERA B+/Stable)	21 Jan 2015	SMERA B+/Stable (Assigned)	-	-
Letter of Credit*	S T	16.00	SMERA A4+ (Reaffirmed)	28 Dec 2015	SMERA A4+ (Reaffirmed)	16 Nov 2015	SMERA A4+ (upgraded from SMERA A4)	21 Jan 2015	SMERA A4 (Assigned)	-	-

\*Includes sub-limit of buyers credit of Rs. 10.0 crore and bank guarantee of Rs. 0.10 crore.

#includes sub-limit of BELC of Rs.5.00 crore

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Cash Credit –I #	N.A	N.A	N.A	6.00	SMERA BB/Stable (Reaffirmed)
Letter of Credit*	N.A	N.A	N.A	16.00	SMERA A4+ (Reaffirmed)

\*Includes sub-limit of buyers credit of Rs. 10.0 crore and bank guarantee of Rs. 0.10 crore.

#includes sub-limit of BELC of Rs.5.00 crore

**Note on complexity levels of the rated instrument:**

<https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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