



SMERA RATINGS LIMITED

Peerless Biotech Private Limited (PBPL)

Rating Rationale

April 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA BB+/Stable (Assigned)
Term Loan	3.20	SMERA BB+/Stable (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Peerless Biotech Private Limited (PBPL). The outlook is '**Stable**'. The ratings are constrained by the company's small-scale operations in an intensely competitive segment of the diagnostic equipment industry. The ratings note that the company's profit margins are susceptible to forex fluctuation risk. The ratings are also constrained by the company's moderately high gearing (debt-to-net worth ratio). However, the ratings draw comfort from the company's experienced management. The ratings are also supported by the company's moderate profitability, comfortable interest coverage ratio and moderate liquidity position.

PBPL, incorporated in 2001, is a Chennai-based company engaged in trading of in-vitro diagnostic test kits and equipment. PBPL has small-scale operations marked by revenues of Rs.24.13 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company faces intense competition from several players in the diagnostic equipment industry.

PBPL's profit margins are susceptible to forex fluctuation risk inherent in unhedged imports, which account for ~63 per cent of the total purchases. The company's net profit margin declined to 4.00 per cent in FY2013-14 from 6.24 per cent in FY2012-13 on account of forex loss. PBPL has low net worth of Rs.3.69 crore as on March 31, 2014. The company's gearing (debt-to-net worth ratio) is moderately high at 2.22 times as on March 31, 2014.

PBPL benefits from its experienced management. Mr. Vinayak Bhat, director of PBPL, has around 25 years of experience in the diagnostic equipment industry.

PBPL's interest coverage ratio is comfortable at 5.15 times in FY2013-14. The company has a comfortable working capital cycle of ~62 days in FY2013-14. PBPL's utilisation of working capital limit was moderate at 80 per cent during August 2014 to January 2015.

Outlook: Stable

SMERA believes PBPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in

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revenues while achieving a comfortable liquidity position and satisfactory capital structure. The outlook may be revised to 'Negative' in case of deterioration in the company's financial profile.

About the company

PBPL, incorporated in 2001, is a Chennai-based company promoted by Mr. Vinayak Bhat and Mr. Jose Gill. The overall operations of the company are currently managed by Mr. Vinayak Vaimunth Bhat and Mr. Mohan Kumar.

PBPL is engaged in trading of in-vitro diagnostic test kits and equipment. The company sells ~100 products including blood glucose monitoring systems (glucometers), urine chemistry strips, blood collection vacuum and non-vacuum tubes, blood haemoglobin systems, digital blood pressure monitors, erythrocyte sedimentation rate analysers and biochemistry analysers.

For FY2013-14, PBPL reported profit after tax (PAT) of Rs.0.96 crore on total operating income of Rs.24.13 crore, as compared with PAT of Rs.0.95 crore on total operating income of Rs.15.21 crore in FY2012-13. The company's net worth stood at Rs.3.69 crore as on March 31, 2014, as compared with Rs.2.73 crore a year earlier.

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