

May 20, 2015

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>4.00</b>	<b>SMERA D (Assigned)</b>
<b>Term Loan I</b>	<b>1.21</b>	<b>SMERA D (Assigned)</b>
<b>Term Loan II#</b>	<b>0.05</b>	<b>SMERA D (Assigned)</b>
<b>Inland/Foreign Letter of Credit</b>	<b>5.00</b>	<b>SMERA D (Assigned)</b>

#Term Loan 2 has been repaid as on date

SMERA has assigned a rating of '**SMERA D** (read as **SMERA D**) to the Rs.10.21 crore bank facilities of Pentagon Labs Limited (PLL). The rating reflects the company's stretched liquidity position, which is evidenced by frequent devolvement of non-fund based bank facilities. The rating also reflects the company's weak financial profile marked by stagnancy in revenues and decline in operating profit margin.

PLL, incorporated in 1994, is a Madhya Pradesh-based company engaged in manufacturing of intravenous (IV) fluids. PLL mainly caters to state government organisations. The company has a weak liquidity position arising from delays in recovery of dues from customers. PLL settles payment for material purchases within ~90 days, whereas dues from customers are recovered in ~100 days. The liquidity stretch has resulted in frequent devolvement of letter of credit over the past six months. PLL's cash credit utilisation was high at 99.75 per cent during September 2014 to February 2015.

PLL operates in a highly competitive industry. The company's revenues have remained stagnant over the past two years (FY2013-14 to FY2014-15). PLL's operating profit margin declined from 7.53 per cent in FY2011-12 to 5.54 per cent in FY2013-14.

PLL has an experienced management team headed by Mr. M. L. Jain (Managing Director), who has around 15 years of experience in the company's line of business.

### **About the company**

PLL (formerly known as Kabra Labs Limited) is a Madhya Pradesh-based company incorporated in 1994. PLL is owned by members of the Jain family. The company is engaged in manufacturing of intravenous fluids. PLL has a production unit in Dewas, Madhya Pradesh. The overall operations of the company are managed by Mr. M. L. Jain, Mr. Sanjeev Kumar Jain, Mrs. Shobhna Mittal, Mr. Mahesh Mittal and Mr. Anil Kumar Gupta.

For FY2013-14, PLL reported profit after tax (PAT) of Rs.0.28 crore on operating income of Rs.46.16 crore, as compared with PAT of Rs.0.14 crore on operating income of Rs.35.70 crore in FY2012-13. The company registered revenue of ~Rs.46.00 crore (provisional) in FY2014-15. PLL's tangible net worth stood at Rs.10.91 crore as on March 31, 2014, as compared with Rs.2.22 crore as on March 31, 2013.

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