

June 01, 2015

Facility	Amount (Rs. Crore)	Rating
Proposed Cash Credit	6.00	SMERA B-/ Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA single B minus**) to the Rs.6.00 crore proposed long-term (fund based) bank facility of Kothari Medical & Surgicals (KMS). The outlook on the rating is '**Stable**'. The rating is constrained by the firm's small-scale operations in an intensely competitive segment of the pharmaceutical industry. The rating is also constrained by the diversion of funds from the firm. The rating factors the risk of capital withdrawal by proprietor. However, the rating draws comfort from the firm's experienced management.

KMS, established in 1999, is a Pune-based proprietorship firm engaged in trading of pharmaceutical products. KMS has small-scale operations marked by revenue of Rs.4.69 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm operates in an intensely competitive segment of the pharmaceutical industry. KMS has moderate capital base of Rs.0.99 crore as on March 31, 2014. The firm has made investments outside business and has given loan to affiliates aggregating to Rs.2.00 crore. KMS's financial profile is susceptible to withdrawal of capital by proprietor.

KMS benefits from its experienced management. Mr. Mahesh Kothari, proprietor of KMS, has around 15 years of experience in the firm's line of business.

Outlook: Stable

KMS's rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenue and profit margins, or in case of deterioration in the firm's financial risk profile.

About the firm

KMS, established in 1999, is a Pune-based proprietorship firm promoted by Mr. Mahesh Kothari. KMS is engaged in trading of pharmaceutical products.

For FY2013-14, KMS reported profit before tax of Rs.0.28 crore on operating income of Rs.4.69 crore, as compared with profit before tax of Rs.0.29 crore on operating income of Rs.4.08 crore in FY2012-13. The firm registered revenue of ~Rs.7.50 crore (provisional) during FY2014-15. KMS's capital stood at Rs.0.99 crore as on March 31, 2014, as compared with Rs.0.75 crore a year earlier.

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