March 20, 2013

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	0.24	**SMERA BBB-/ Stable / Assigned**
Term Loan II	3.97	
Cash Credit	12.50	

SMERA has assigned a rating of **'SMERA BBB-' (read as SMERA Triple B minus)** to the Rs. 16.71 crore long term loan facility of Sandor Medicaids Private Limited (SMPL). The outlook is **'Stable'**. The rating considers long track record and experience of promoters in the distribution of pharmaceutical products, established distribution network and comfortable financial profile marked by healthy growth rate and low gearing. The rating also factor in SMPL's exclusive distribution rights from reputed pharmaceutical companies in India. The rating is however constrained by SMPL's moderate scale of operations, working capital intensive nature of operations, supplier concentration and stretched working capital limit utilization. The rating is further constrained by fragmented and intensely competitive nature of the industry, thus exerting pressures on its margins and increase in its working capital intensity and vulnerability to adverse changes in exchange rates.

SMPL is an authorized and exclusive distributor of medicines and medical devices for reputed pharmaceutical companies like Genzyme Corporation (now a part of Sanofi), Medivators Inc, Dr. Franz Kohler Chemie GmbH, Abbott Point of Care Inc and Sparsh Pharma International Private Limited. Majority of the medicines / medical devices being distributed are patented and caters to niche therapeutic segments.

SMPL has 15 distribution centers for supporting its cold storage distribution network spread across major cities of India. SMPL has a pan India distribution network comprising of field force of around 127 sales & marketing staff, covering more than 1,000 Hospitals / Doctors / Stockists. On the strength of established distribution network and expansion of product portfolio, SMPL has witnessed healthy revenue growth of 52% CAGR in the last five years.

SMPL faces supplier concentration risk, as around 55% of the revenue is derived from its principal supplier: Genzyme Corporation. The company has, however, maintained cordial relations with the suppliers and is the exclusive distribution agent of Genzyme Corporation for past 10 years.

Business operations of SMPL are working capital intensive and cash flow from operations has a direct bearing from any movement in working capital cycle.

SMPL, being an exclusive distributor for Genzyme Corporation for the Indian market- as bulk of its production is for the Indian market- is confronted with pressures to stock higher quantity of stocks, thus leading to high inventory holding days for SMPL. In order to maintain its liquidity, SMPL negotiates relaxed payment terms with its suppliers so that working capital cycle days are between 60 to 90 days. This regular need of working capital has also led to high utilization of around 90% of cash credit limit in the last six months. SMPL reported negative operating cash flows in FY 2012.

SMPL remains vulnerable to changes in exchange rates as majority of the purchases are by way of imports. However, to mitigate its foreign exchange fluctuation (FX) risk, SMPL has started billing of its purchases from Genzyme Corporation in Indian Rupees and has also revised its contract with Abbott Point of Care Inc for reimbursement of FX losses.

SMPL has received PE funding in FY 2012 which has resulted in low gearing. Its Total Borrowings to Tangible Net worth ratio remained comfortable at 0.68 as on 31/Mar/2012.

Outlook: Stable

SMPL has 'Stable' outlook. SMERA believes that SMPL will continue to benefit from management's long years of experience, exclusive distributorship for reputed pharmaceutical companies in India and moderate financial metrics. However, SMPL's ability to scale up the operations while effectively managing the working capital cycle remains the key rating sensitivities.

About Sandor Medicaids Private Limited

SMPL was incorporated in the year 1995 with Mr. Rajeev Sindhi as one of the founder directors. At present, management of SMPL is vested in the hands of Mr. Rajeev Sindhi and Mr. K V Muralidhar Reddy, while Mr. Avinash Anand Kenkare, representing PE investor in the company, Leonardo Investments Limited, Mauritius, is also on the Board of SMPL.

SMPL is an authorized and exclusive distributor of medicines and medical devices for reputed pharmaceutical companies in India. Majority of the medicines / medical devices being distributed are patented and caters to niche therapeutic segments.

SMPL has 15 distribution centers for supporting its efficient & effective Cold Stoarge Distribution network in the 12 major cities of India. The entire network is centrally monitored through SAP ERP from SMPL's administrative office at Hyderabad.

For FY 2012, SMPL reported a net profit of Rs. 1.86 crore on a total income Rs.55.66 crore, as against a net profit of Rs. 1.76 crore on a total income of Rs. 47.31 crore for FY 2011.

Contact List

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