January 17, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	13.00* [enhanced from Rs.12.50 crore]	SMERA BBB-/Stable (Reaffirmed)
Term Loan	2.87 [reduced from Rs.4.21 crore]	SMERA BBB-/Stable (Reaffirmed)
Working Capital Demand Loan	3.00	SMERA BBB-/Stable (Assigned)

**** Sublimit of Buyer's Credit upto Rs.8.00 crore***

SMERA has reaffirmed its rating of '**SMERA BBB-' (read as SMERA Triple B Minus)** to the Rs.18.87 crore fund-based bank facilities (enhanced from Rs.16.71 crore) of Sandor Medicaids Private Limited (SMPL). The outlook is '**Stable'.** The rating continues to derive support from the company's long track record of operations, experienced management, established distribution network and low leverage. The rating also factors in the company's exclusive rights to distribute medicines and medical devices of reputed pharmaceutical companies in India. However, the rating is constrained by the company's moderate scale of operations, susceptibility to adverse changes in foreign exchange rates, working capital-intensive operations, supplier concentration risk and high utilization of working capital limit.

Update

For FY2012–13 (refers to financial year, April 01 to March 31), SMPL registered net profit of Rs.2.66 crore on total income of Rs.77.16 crore as compared with net profit of Rs.1.87 crore on total income of Rs.55.66 crore for FY2011–12. SMPL imports most of its raw material requirement. The company's profit margins are thus susceptible to adverse changes in foreign exchange rates. SMPL suffered foreign exchange loss of Rs.1.46 crore in FY2012–13 (Rs.1.82 crore in the previous year) due to un-hedged imports. However, the company reported a satisfactory net profit margin of 3.44 per cent in FY2012–13. SMPL registered revenues of Rs.56.36 crore during April 2013 to October 2013.

SMPL has initiated measures to mitigate foreign exchange fluctuation risk. The company has undertaken negotiations with its principle supplier (Genzyme Corporation) to raise bills denominated in Indian Rupees. SMPL has also revised the contract with its key customer (Abbott Point of Care Inc) by including a provision for reimbursement of foreign exchange loss.

SMPL is an exclusive distributor of Genzyme Corporation's products in India. Therefore, SMPL maintains a high level of inventory, which leads to a stretched inventory holding period. However, SMPL negotiates relaxed payment terms with its suppliers in order to maintain a comfortable liquidity position. Accordingly, the company's inventory holding period and payable period stood at 243 days and 204 days respectively in FY2012–13 while the company's working capital cycle stood at 135 days in the same year. The company's average working capital limit utilization is high at around 92 per cent during July 2013 to September 2013. SMPL has a comfortable leverage at 0.72 times as on March 31, 2013.

About the company

SMPL, incorporated in 1995, is a Hyderabad-based company engaged in distribution of medicines and medical devices. SMPL's overall operations are managed by Mr. Rajeev Sindhi and Mr. K V Muralidhar Reddy. Mr. Avinash Anand Kenkare represents the private equity investors (Leonardo Investments Limited, Mauritius) on the board of SMPL.

SMPL is an authorized and exclusive distributor of medicines and medical devices manufactured by reputed pharmaceutical companies including 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. Most of the products distributed by SMPL are patented and cater to niche therapeutic segments.

In May 2013, SMPL entered into a tie-up with Rusan Pharma (a Mumbai-based entity) for marketing of fentanyl injections and morphine injections and tablets.

SMPL has 17 distribution centers across 16 states in India. The company's distribution network is centrally monitored through SAP ERP at the administrative office in Hyderabad.

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