

July 07, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	21.00 (enhanced from Rs.13.00 crore)	SMERA BBB-/Stable (Reaffirmed, Outlook Revised)
Term Loan	2.87	SMERA BBB-/Stable (Reaffirmed, Outlook Revised)
Working Capital Demand Loan	3.00	SMERA BBB-/Stable (Reaffirmed, Outlook Revised)

SMERA has reaffirmed its rating of '**SMERA BBB-**' (read as **SMERA Triple B minus**) to the Rs.26.87 crore fund-based bank facilities of Sandor Medicaids Private Limited (SMPL). The outlook has been revised to '**Stable**' from '**Negative**'. The revision is due to the improvement in the company's liquidity position during the review period. The rating continues to draw comfort from the company's exclusive distribution rights, moderate gearing (debt-equity ratio) and experienced management. However, the rating factors in risks related to the company's moderate operating scale and working capital-intensive operations. Besides, the rating is also constrained by the susceptibility of the profit margins to forex fluctuation risk and the company's exposure to supplier concentration risk.

Update

SMPL registered a net profit after tax (PAT) of Rs.5.24 crore on total income of Rs.132.73 crore for FY2014-15 (refers to financial year, April 01 to March 31), as compared with PAT of Rs.2.93 crore on total income of Rs.108.68 crore in FY2013-14. The company's operating profit margin improved to 9.54 per cent in FY2014-15 from 7.27 per cent in FY2013-14 while the company's net profit margin improved to 3.95 per cent from 2.69 per cent during the same period.

SMPL is the exclusive distributor of Genzyme Corporation's (now a part of Sanofi) products in India and has high inventory levels. The company's inventory holding and payables period stood at 128 days and 101 days respectively in FY2014-15. The operations are working capital-intensive with working capital cycle stretched to 115 days in FY2014-15 from 85 days in FY2013-14. The company's average utilisation of working capital limit (including need-based adhoc facility) remained moderate at ~92 per cent from October 2014 to April 2015.

With SMPL importing most of its raw material, the profit margins are susceptible to forex fluctuation risk. However, the company has undertaken negotiations with Genzyme Corporation to raise bills denominated in Indian rupees. Further, SMPL has revised the contract with its other supplier, Abbott Point of Care Inc by including a provision for reimbursement of forex loss. SMPL faces supplier concentration risk with ~56 per cent of traded products being sourced from Genzyme Corporation.

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The company's leverage (debt-equity ratio) is moderate at 1.34 times as on March 31, 2015. SMPL continues to benefit from its experienced management. Mr. Rajeev Sindhi and Mr. K. V. Muralidhar, Directors, have around two decades of experience in the company's line of business.

Outlook: Stable

SMERA believes SMPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case of sustained improvement in SMPL's operating scale while maintaining a comfortable liquidity position and healthy financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the SMPL's financial risk profile.

About the Company

SMPL, incorporated in 1995, is a Hyderabad-based company engaged in the distribution of medicines and medical devices manufactured by reputed pharmaceutical companies such as Genzyme Corporation (now a part of Sanofi), Medivators Inc, Dr. Franz Kohler Chemie GmbH among others. Most of the products are patented and cater to niche therapeutic segments. The company's overall operations are managed by Mr. Rajeev Sindhi and Mr. K V Muralidhar Reddy. The company has 17 distribution centers across 16 states in India.

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