

Press Release

03 November, 2017



Sandor Medicaids Private Limited (SMPL)

Rating Reaffirmed and Assigned

Total Bank Facilities Rated *	Rs. 35.00 cr
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and assigned short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.35.00 bank facilities of Sandor Medicaids Private Limited (SMPL). The outlook is '**Stable**'.

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 overall operations are led by Mr. Rajeev Sindhi and Mr. K V Muralidhar Reddy. The company has 21 distribution centres across 16 states in India.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

SMPL commenced operations from 1995. The company was promoted by Mr. Rajeev Sindhi, Mr. K Varaprasad Reddy, among others who have around two decades of experience in the healthcare industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. SMERA believes that SMPL will continue to benefit from its experienced management and established relationships with customers.

Exclusive dealership and diversified customer base

SMPL is an exclusive dealer of Genzyme Corporation (part of Sanofi), Abbott Point of Care, Medivators Inc. among others. The company caters to more than 1000 hospitals (private and government).

Comfortable financial risk profile

The financial risk profile of SMPL is comfortable marked by net worth of Rs.68.45 crore as on 31 March, 2017 as against Rs.56.18 crore as on 31 March, 2016. The gearing stood at 0.78 times as on 31 March, 2017 as against 0.67 times as on 31 March, 2016. The total debt of Rs.53.48 crore as on 31 March, 2017 consists of term loan of Rs.13.50 crore, non-convertible debentures of Rs.6.70 crore and working capital facilities of Rs.33.28 crore. The interest coverage ratio stood at 3.33 times for FY2016-17 as against 2.04 times for FY2015-16. The DSCR stood at 1.48 times for FY2016-17 as against 1.70 times for FY2015-16. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.26 times for FY2016-17 compared to 0.12 times for FY2015-16. The company has invested ~17 per cent of net worth in subsidiaries and

other companies. Further, SMERA believes that the financial risk profile of the company will remain comfortable in the absence of major debt funded capex.

Weaknesses

Working capital intensive business

SMPL operates in a working capital intensive business marked by high Gross Current Asset (GCA) days of 248 for FY2016-17 as against 265 for FY2015-16. The GCA days are high marked by elongated inventory days of 145 for FY2016-17 and debtor days of 103. Further, the working capital limits have been fully utilised in the last three months ending September 2017.

Deterioration in margins

The EBITDA margin deteriorated from 9.27 per cent in FY2015 to 8.03 per cent in FY2016 and 7.46 per cent in FY2017 majorly on account of writing off of inventory and bad debt in FY2016 and FY2017. Further, the net profit margin stood at 6.98 per cent in FY2017. The net profit for FY2016-17 was supported by profit on sale of investment to the tune of Rs.10.45 crore.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SMPL to arrive at the rating.

Outlook: Stable

SMERA believes that SMPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of sustained improvement in the operating scale while maintaining a comfortable liquidity position and healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, SMPL reported profit after tax (PAT) of Rs.12.25 crore on operating income of Rs.175.55 crore, compared with PAT of Rs.2.64 crore on operating income of Rs.152.29 crore in FY2015-16. The net worth stood at Rs.68.45 crore as on 31 March, 2017 compared to Rs.56.18 as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Sep, 16	Cash Credit	Long Term	28.00^	SMERA BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	2.87	SMERA BBB- / Stable (Withdrawn)
	Working Capital Demand Loan	Long Term	3.00	SMERA BBB- / Stable (Withdrawn)
07-Jul, 15	Cash Credit	Long Term	21.00\$	SMERA BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	2.87	SMERA BBB- / Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.00	SMERA BBB- / Stable (Reaffirmed)
10-Sep, 14	Cash Credit	Long Term	13.00#	SMERA BBB- / Negative (Reaffirmed)
	Term Loan	Long Term	2.87	SMERA BBB- / Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.00	SMERA BBB- / Negative (Reaffirmed)

[^]Cash Credit facility is enhanced from Rs.21.00 crore

^{\$}Cash Credit facility is enhanced from Rs.13.00 crore

[#]includes sublimit of Buyers Credit of Rs.8.00 crore

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	33.00^^	SMERA BBB- / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3 (Assigned)

^{^^}Cash Credit facility is enhanced from Rs.28.00 crore

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ABOUT SMERA

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