

April 13, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.50	SMERA BBB-/Stable (Reaffirmed)
Packing Credit*	13.00	SMERA BBB-/Stable (Reaffirmed)
Cash Credit*	3.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee#	1.00	SMERA A3 (Reaffirmed)
Letter of Credit**	1.00	SMERA A3 (Reaffirmed)

*Fully interchangeable with PCFC (Packing Credit in Foreign Currency), FOBP (Foreign Outward Bill of Purchase)

*Packing credit and Cash credit limits are fully interchangeable

#Fully interchangeable with Inland/Foreign Performance Bank Guarantee

**Fully interchangeable with Import/Inland Letter of Credit/Buyer's Credit

SMERA has reaffirmed ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.14.50 crore long-term (fund-based) bank facilities and '**SMERA A3**' (read as **SMERA A three**) on the Rs.2.00 crore short term (non-fund based) bank facilities of Datt Mediproducts Private Limited (DMPL). Further, SMERA has also assigned rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.3.00 crore long-term (fund-based) bank facility. The outlook continues to remain '**Stable**'.

The ratings continue to draw comfort from the company's healthy financial risk profile, comfortable liquidity position and established operations. The ratings also note the experienced management and established relations with customers and suppliers. However, the ratings continue to remain constrained by the working capital-intensive operations and exposure to intense competition in the medical supplies industry.

Update

For FY2014-15 (refers to financial year, April 01 to March 31), DMPL has registered net profit of Rs.1.27 crore on operating income of Rs.69.73 crore in contrast to net profit of Rs.1.36 crore on operating income of Rs.61.26 crore in FY2013-14. Despite increase in operating income, the net profit has moderated due to increase in fixed overheads. The financial risk profile continues to remain healthy marked by low leverage (debt-equity ratio) of 0.39 times as on March 31, 2015 against 0.32 times during the previous year and strong interest coverage ratio of 3.64 times in FY2014-15 as compared to 3.79 times in FY2013-14 (refers to financial year, April 01 to March 31). The total debt of Rs.22.04 crore (as on March 31, 2015) includes non-interest bearing unsecured loans of Rs.9.07 crore from promoters, friends and relatives that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

DMPL benefits from its experienced management. Dr. Rajan Datt, the Director, has more than 25 years of experience in the medical supplies industry.

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However, the company's operations are capital intensive evident from the gross current assets (GCA) of 187 days as on March 31, 2015. Besides, it faces intense competition from several players in the medical supplies industry.

Outlook: Stable

SMERA believes DMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' if the company registers higher-than-expected cash accruals owing to sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or significant deterioration in the capital structure and liquidity position.

Rating sensitivity factor

- Improvement in revenue and profitability
- Efficient working capital
- Large debt funded capital expansion

About the Company

The New Delhi-based DMPL was established in 1995 as a Limited company – Datt Mediproducts Limited. In 2015, the constitution was changed to private limited and thus DMPL was born. Headed by Mr. Rajan Datt, DMPL undertakes manufacturing and export of medical supplies such as gauze, bandages, adhesives, dressings and paper tapes.

For FY2014–15, DMPL reported profit after tax (PAT) of Rs.1.27 crore on operating income of Rs.69.73 crore, as compared with PAT of Rs.1.36 crore on operating income of Rs.61.29 crore in the previous year. As per the 10 months ended January financials FY2015-16 (provisional), the company has already booked revenue of Rs.56.83 crore. The net worth stood at Rs.33.51 crore as on March 31, 2015, as compared with Rs.32.24 crore a year earlier.

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