

Press Release

31 October, 2017

Datt Mediproducts Limited (DML)



Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 23.50 Cr
Long Term Rating	SMERA BBB-/ Outlook: Negative (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and **short term rating of 'SMERA A3'** (read as **SMERA A three**) on the Rs. 23.50 crore bank facility of Datt Mediproducts Limited (DML). The outlook is revised to '**Negative**' from '**Stable**'.

The New Delhi-based DML was established in 1995. Headed by Mr. Rajan Datt, DML undertakes manufacturing and export of medical supplies such as gauze, bandages, adhesives, dressings and paper tapes.

Key Rating Drivers

Strengths

Experienced management

The company was promoted by Mr Rajan Datt, Mr Sanjay Arora and Mrs. Geeta Datt who possess extensive experience in the health care industry. The promoters have been able to forge long term relations with customers and suppliers.

Weaknesses

Deterioration in the financial risk profile and margins

DML registered deterioration in its financial risk profile marked by net worth of Rs.35.87 crore as on 31 March, 2017 (Provisional) compared to Rs.34.82 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.53 times as on 31 March, 2017 (Provisional) compared to 0.38 times as on 31 March, 2016. The total debt of Rs.19.17 crore as on 31 March, 2017 (Provisional) comprises long term debt of Rs. 3.16 crore, unsecured loan from promoters of Rs.0.69 crore and short term facility worth Rs.15.32 crore. The interest coverage ratio deteriorated from 3.92 times for FY2015-16 to 2.67 times for FY2016-17 (Provisional). This is majorly on account of deterioration in margins. The EBIDTA margin decreased from 6.96 per cent in FY2015-16 to 5.72 per cent in FY2016-17 (Provisional). Further, the PAT margin stood at 1.06 per cent in FY2016-17 (Provisional) as against 1.81 per cent in FY2015-16. The DSCR stood at 2.18 times in FY2016-17 (Provisional) compared to 2.36 times in FY2015-16. The NCA/TD stood at 0.14 times in FY2016-17 (Provisional). The TOL/TNW stood at 1.02 times in FY2016-17 (Provisional).

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 153 for FY2016-17 (Provisional) compared to 135 for FY2015-16. This is mainly on account of increase in inventory days from 84 in FY2015-16 to 107 days in FY2016-17 (Provisional). The debtor days stood at 45 for FY2016-17 (Provisional). Further, working capital facility utilisation stood at ~50 per cent for the last six months ended August, 2017.

Moderate scale of operations

The scale of operations is moderate despite the company being in the industry for about two decades. The revenue stood at Rs.79.61 crore for FY2016-17 (Provisionals) compared to Rs.72.02 crore for FY2015-16.

Susceptibility to volatility in raw material prices and foreign exchange rates

The margins are susceptible to volatility in raw material prices during the period under study. Significant changes in raw material prices would have an impact on the margins of the company. Further, the company exports around 55 percent of its sales to Australia, France, Germany among others. Hence, the profitability is exposed to fluctuations in forex rates in the absence of adequate hedging mechanism.

Analytical Approach

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

Outlook: Negative

SMERA believes that the outlook of DML will remain 'Negative' over the medium term. The rating may be downgraded by multiple notches in case of continuous deterioration in the financial risk profile and margins. Conversely, the outlook may be revised to 'Stable' in case of significant improvement in margins and revenue.

About the Rated Entity - Key Financials

The company reported Profit after Tax (PAT) of Rs. 3.25 crore on operating income of Rs. 86.57 crore in FY2016-17 (Provisional) compared to PAT of Rs. 2.20 crore on operating income of Rs. 72.74 crore in the previous year. The net worth stood at Rs. 22.72 crore as on 31 March, 2017 (Provisional) as against Rs. 13.77 crore in the previous year.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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 (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
04-Aug-2017	Term Loan	Long Term	1.50	SMERA BBB- (Indicative)
	Packing Credit	Long Term	13.00	SMERA BBB- (Indicative)
	Cash Credit	Long Term	3.00	SMERA BBB- (Indicative)
	Bank Guarantee	Short Term	1.00	SMERA A3 (Indicative)
	Letter of Credit	Short Term	1.00	SMERA A3 (Indicative)
13-Apr-2016	Term Loan	Long Term	1.50	SMERA BBB- /Stable (Reaffirmed)
	Packing Credit^	Long Term	13.00	SMERA BBB- /Stable (Reaffirmed)
	Cash Credit^	Long Term	3.00	SMERA BBB- /Stable (Assigned)
	Bank Guarantee#	Short Term	1.00	SMERA A3 (Reaffirmed)
	Letter of Credit##	Short Term	1.00	SMERA A3 (Reaffirmed)
02-Feb-2015	Term Loan	Long Term	1.50	SMERA BBB- /Stable (Assigned)
	Packing Credit^	Long Term	16.00	SMERA BBB- /Stable (Assigned)
	Bank Guarantee#	Short Term	1.00	SMERA A3 (Assigned)
	Letter of Credit##	Short Term	1.00	SMERA A3 (Assigned)

\$75% interchangeability among PC/PCFC and CC and total availment at any point of time not exceeding Rs.20.30 crore.

[^]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

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.02	SMERA BBB- / Negative (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.30	SMERA BBB- / Negative (Reaffirmed)
Packing Credit\$	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BBB- / Negative (Reaffirmed)
Proposed Fund based Facility	Not Applicable	Not Applicable	Not Applicable	0.68	SMERA BBB- / Negative (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A3 (Reaffirmed)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Kashish Shah Rating Analyst Tel: 022-67141152 Email: kashish.shah@smera.in	

ABOUT SMERA

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