



Press Release

Doctor Pack India Private Limited

October 12, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs. 20.45 Cr.
Long Term Rating	SMERA C
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA C' (read as SMERA C)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 20.45 crore bank facilities of Doctor Pack India Private Limited.

Doctor Pack India Private Limited (DPIPL), incorporated in 2010 is headed by Mr. Umapathi Raju, Mr. Jatinkumar Pandiya and Mr. G. Dinakaran. The company is engaged in the manufacturing of packaging products for the pharmaceutical industry at Bommasandra (Bangalore). The installed capacity stands at 135 million pieces per annum. The ratings have been downgraded on account of delays in servicing of debt obligations. The rating is further constrained due to a weak liquidity profile.

Key Rating Drivers

Strengths

• Experienced management

The company is led by Mr. Umapathi Raju, Mr. Jatinkumar Pandiya and Mr. G. Dinakaran who possess around two decades of experience in packaging for the pharmaceutical industry. This has enabled the company to forge long term relations with customers and suppliers. DPIPL deals with a reputed client base including Micro Labs Limited, Ajanta Pharma Limited, Novartis India Limited, Indoco Remedies Limited, Cipla Limited to name a few.

• Moderate business risk profile

DPIPL registered a moderate revenue growth of ~21 per cent in FY2016-17 (Provisional) over the previous year on account of increase in production capacity. Revenue stood at Rs.28.57 crore in FY2016-17 (Provisional) as against Rs.23.56 crore in FY2015-16. The operating margins improved marginally from 15.19 per cent in FY2015-16 to 20.28 per cent in FY2016-17 (Provisional). DPIPL registered revenue of Rs.15.40 crore from April to August 2017. SMERA believes that DPIPL will maintain a moderate outlook owing to its experienced management and established relations with customers.

• Moderate financial risk profile

The tangible networth stood at Rs.7.99 crore as on 31 March, 2017 (Provisional) as against Rs.6.61 crore as on 31 March, 2016. The gearing stood at 2.32 times as on 31 March, 2017 (provisional) as against 1.17 times in the previous year. The gearing increased on account of a new term loan availed in FY2016-17. The total debt of Rs.17.72 crore as on 31 March, 2017 majorly comprises term loan of Rs. 11.83 crore and working capital loan of Rs. 5.89 crore. The Interest coverage ratio (ICR) stood at 3.07 times and Debt service coverage ratio (DSCR) at 2.13 times in FY2016-17 (Provisional) as against ICR of 3.38 times and DSCR of 1.92 times in FY2015-16.

Weaknesses

• Delays in servicing of debt obligations

There have been delays in servicing of debt obligations due to a stretched liquidity profile. Moreover, the company has not fully paid the interest and principal payment for August 2017 as confirmed by the banker.

• Working capital intensive operations

The working capital intensive operations are evident from the high gross current asset days of 184 in FY2017 (Provisional) as against 170 days in FY2016 mainly on account of high debtor days of 99 and inventory days of 81 in FY2017. The working capital limit utilisation stood at ~73 per cent for the last six months ended July, 2017.

• Exposure to fluctuations in raw material prices

The company imports around 80 per cent of its raw material i.e. plastic granules from Basell International, Germany. Hence, the profitability is exposed to risk of fluctuations in raw material prices that can affect margins.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Outlook:

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), DPIPL reported profit after tax (PAT) of Rs.1.39 crore on operating income of Rs.28.57 crore, compared with net profit of Rs.0.99 crore on operating income of Rs.23.56 crore in FY2015-16. The net worth stood at Rs.7.99 crore as on 31 March, 2017 (Provisional) compared to Rs.6.61 crore, a year earlier.

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. Cr.)	Ratings/Outlook
14-Apr-2016	Cash Credit	Long Term	INR 4.75	SMERA BB- / Stable
	Proposed Cash Credit	Long Term	INR 0.85	SMERA BB- / Stable
	Proposed Long Term Loan	Long Term	INR 13.15	SMERA BB- / Stable

	Bank Guarantee	Short Term	INR 0.5	SMERA A4+
	Letter of Credit	Short Term	INR 1.2	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.75	SMERA C
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.85	SMERA C
Term loans	Not Applicable	Not Applicable	Not Applicable	13.15	SMERA C
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.20	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Pawan Punmaji Analyst - Rating Operations Tel: 022-67141352 pawan.punmaji@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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