

Panacea Medical Technologies Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BBB-/Stable (Assigned)
Term Loan	1.10	SMERA BBB-/Stable (Assigned)
Term Loan	2.40	SMERA BBB-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A3 (Assigned)
Letter of Credit	4.00	SMERA A3 (Assigned)

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs.8.50 crore long term facilities and '**SMERA A3**' (read as SMERA A three) on the Rs.7.00 crore short term facilities of Panacea Medical Technologies Private Limited (PMTPL). The outlook is '**Stable**'.

The ratings are supported by the promoter's extensive experience in the medical equipment industry, technical expertise of the company in manufacturing radiotherapy equipments and in-house research facility. The ratings also factor in the established market position and above average financial risk profile. However, the ratings are constrained by the modest scale of operations, working capital intensive business and exposure of profit margins to foreign exchange fluctuation risk.

PMTPL, incorporated in 1999 is engaged in the manufacture of medical equipments for radiology and radiotherapy. The company was promoted by Mr G.V Subrahmanyam who possesses 29 years of experience in applied research. The rating also notes that PMTPL caters to around 80 per cent requirement of government hospitals in India. The company also exports to under privileged countries such as Kenya, Mongolia and Tanzania.

PMTPL has above average financial risk profile marked by healthy net worth of Rs.20.63 crore. The gearing stands comfortable at 0.64 times in FY2016. The Interest coverage ratio and DSCR stand at 3.18 and 1.01 times in FY2016.

However, the ratings are constrained by the modest scale of operations with operating income of Rs.26.33 crore in FY2016 as against Rs.21.46 crore in FY2015. The operations are working capital intensive with high inventory and stretched debtor days of 139 and 222 days in FY2016. During FY2016 the company imported around 56 per cent of raw materials from USA, Germany and hence is exposed to risks related to fluctuations in forex rates. However, the same is partly offset through natural hedging arising from export sales.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management

Criteria applied to arrive at the rating:

- Manufacturing entity

Outlook – Stable

SMERA believes that PMTPL will maintain a stable outlook in the medium term owing to its experienced management, established market position and above average financial risk profile. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and profitability or manages liquidity by improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile owing to higher working capital requirements.

About the Company

PMTPL, incorporated in 1999 was promoted by Mr G.V Subrahmanyam who possesses 29 years of experience in applied research. The company manufactures medical equipments for radiology and radiotherapy. It has tie-ups with Bhabha Atomic Research Centre (BARC) and Society for Applied Microwave Electronic Engineering and Research (SAMEER). PMTPL, in 2006 commercialised Bhabhatron II - an advanced digital radiotherapy equipment. In 2008, PMTPL introduced IMAGIN- a digital radiotherapy simulator for clinical use.

For FY2016, the company achieved net profit after tax (PAT) of Rs.4.80 crore on operating income of Rs.26.33 crore as compared with PAT of Rs.2.12 crore on operating income of Rs.21.46 crore in FY2015.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations Tel: +91-22-6714 1105 Cell: +91-9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.