

Press Release

Adeshwar Meditex Private Limited (AMPL)

July 05, 2018



Rating Upgraded, Reaffirmed, Assigned & Withdrawn

Total Bank Facilities Rated*	Rs.19.00 Cr. (Enhanced from Rs. 14.00 Cr.)
Long Term Rating	ACUITE BB+/ Outlook: Stable (Upgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 15.27 crore bank facilities and reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 1.75 crore bank facilities of Adeshwar Meditex Private Limited (AMPL). The outlook is '**Stable**'.

Acuite has assigned short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.1.98 crore bank facilities of Adeshwar Meditex Private Limited (AMPL). The outlook is '**Stable**'.

Acuite has withdrawn short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.3.50 crore bank facilities of Adeshwar Meditex Private Limited (AMPL).

The upgrade is in view of significant improvement in profitability along with sustained revenues, healthy order book position from and addition of new reputed clients. The reputed clientele base includes clients such as government entities in states like Maharashtra, Tamil Nadu, Karnataka and also Jordon Arm Forces among others, and introduction of retail sale of first aid box across India.

Established in the year 1982, Adeshwar Meditex Private Limited (AMPL) is Mumbai based company engaged in manufacturing of Surgical Dressing and external preparation products, adhesive dressings, gauze bandages, cohesive bandage, alcohol swab, medical bandages, extension plaster amongst others. The company is promoted by Mr. Siddharth Talati. The manufacturing unit is located in Palghar, Maharashtra.

Key Rating Drivers

Strengths

• Extensive industry experience

Established in the year 1982 as a partnership firm, Adeshwar was reconstituted as a private limited company in the year 2007 under the leadership of Mr. Siddharth Talati. The Talati family has been engaged into the manufacturing and supplying of Medicare and its related products since last four decades. The key promoter of the company has almost three decades of experience in medical and medical products industry. Siddharth Talati has gained good insight about the industry and has developed healthy customers and suppliers relations.

- **Diversified product mix**

AMPL has diversified customer base, and it includes 150 different types of products. These are the products that find its usage in medical industry in day to day uses. In addition to this, the company is also focusing on first aid kit which they will be selling from BPCL, IOCL and HPCL's petrol pumps across India. This will help the company to significantly increase its revenues and profitability.

- **Reputed customers base**

AMPL caters to reputed clienteles such as Jordon Armed Forces and Scott to name a few for which it does contract manufacturing and the company also caters to government entities in states like Maharashtra, Tamil Nadu, Karnataka and Kerala by bidding tenders.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by net worth of Rs.13.49 crore as on 31 March 2018 as compared to Rs.9.50 crore as on 31 March 2017. Gearing (debt to equity) has improved to 0.86 times as on 31 March 2018 from 1.06 times as on 31 March 2017. The total debt of Rs. 11.58 crore as on 31 March 2018 comprises of term loan of Rs. 0.15 crore, loan from other parties of Rs. 0.52 crore and working capital borrowing of Rs. 10.91 crore. Further the Interest Coverage Ratio (ICR) of the company stood at 3.23 times for FY2017 as compared to 3.46 times for FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.40 times as on 31 March 2018 as against 1.68 times as on 31 March 2017.

ACUITE believes that the financial risk profile of the company will improve in the absence of no major debt funded capex and backed by healthy net cash accruals.

Weaknesses

- **Intensive working capital operations**

AMPL's operations are working capital intensive marked by high Gross Current Assets (GCA) days of 170 days as on 31 March 2018 as compared to 165 days as on 31 March 2017. This is mainly on account of high debtor days of 109 days as on 31 March, 2018 as compared to 105 days as on 31 March, 2016. The inventory days of the company marginally increased to 58 days in as on 31 March, 2018 from 53 days as on 31 March, 2017. It is further expected to increase on the back of company's plan to start with retail sale of first aid box across India. The company's liquidity profile is moderately stretched as its average working capital limit utilization is ~95 percent in the last six months ended May 2018.

- **Inclination towards tender based business model**

In FY2018 the company has already bagged tenders worth around Rs.23 crores from Kerala and Karnataka government. Further the company has also awarded Rs.36 crore order from Maharashtra government and is planning to bag more similar tenders from various governmental organizations. Company entry to tender based business model could deteriorate the business risk profile of the company going forward which would be due to its operations in highly competitive industry.

• Intense competition

The company is also exposed to intense competition in the medical disposables industry which is likely to keep the margins under pressure.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the AMPL to arrive at this rating.

Outlook: Stable

Acuite believes that the company would continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if in case the company reports substantial and sustainable revenues or operating margins going forward resulting into improvements in its existing business risk profile. Conversely, the outlook may be revised to 'Negative' if in case the company's working capital cycle further elongates resulting into weakening of its existing financial risk profile especially its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	58.60	47.52	40.47
EBITDA	Rs. Cr.	5.64	3.00	2.15
PAT	Rs. Cr.	2.54	1.27	1.07
EBITDA Margin	(%)	9.63	6.32	5.30
PAT Margin	(%)	4.34	2.67	2.63
ROCE	(%)	24.19	17.35	18.41
Total Debt/Tangible Net Worth	Times	0.86	1.06	0.83
PBDIT/Interest	Times	3.23	3.46	4.79
Total Debt/PBDIT	Times	2.02	3.19	2.26
Gross Current Assets (Days)	Days	170	165	188

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04 Jan 17	Cash Credit	Long Term	INR 4.40	ACUITE BB-/ Stable (Assigned)
	Packing Credit	Short Term	INR 3.50	ACUITE A4+ (Assigned)
	Term Loan	Long Term	INR 0.35	ACUITE BB-/ Stable (Assigned)
	Letter of Credit	Short Term	INR 1.88	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	INR 1.50	ACUITE BB-/ Stable (Assigned)
	Proposed Letter of Credit	Short Term	INR 0.62	ACUITE A4+ (Assigned)

*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	11.50	ACUITE BB+/ Stable (Upgraded)
Pre-shipment finance under LC/PO	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+ (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.27	ACUITE BB+/ Stable (Upgraded)
Letter of Credit*	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE A4+ (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+/ Stable (Upgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.98	ACUITE BB+/ Stable (Assigned)

*sub limit of letter of guarantee of Rs. 1.75 crore.

**sub limit of FDBP/FUDBP (DP/DA 180 days under LC/contract) of Rs. 3.50 crore.

**sub limit of PC/PCFC (DP/DA 180 days under LC/contract) of Rs. 3.50 crore.

**UBD under LC of prime bank of Rs. 1.00 crore.

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About Acuité Ratings & Research:

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