

## Press Release

### Adeshwar Meditex Private Limited

September 13, 2019

#### Rating Downgraded



<b>Total Bank Facilities Rated*</b>	Rs. 19.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable (Downgraded from ACUITE BB+/Stable)
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

#### Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from **ACUITE BB+/Stable** (read as **ACUITE double B plus**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 19.00 crore bank facilities of ADESHWAR MEDITEX PRIVATE LIMITED. The outlook is '**Stable**'.

The downward revision in rating is in view of significant buildup in inventory, which has impacted the working capital cycle of the company and decline in operating performance due to delay in exports. The operations were working capital intensive marked by GCA of 265 days for FY2019 (Est.) as against 170 for FY2018.

Mumbai-based, Adeshwar Meditex Private Limited (AMPL) was established in 1951 as a partnership firm. Subsequently, AMPL got reconstituted as private limited company in 2007. The company is engaged in manufacturing of surgical and adhesive dressing, gauze bandages, cohesive bandage and many more. AMPL has manufacturing unit located in Palghar, Maharashtra.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

##### • Long track record of operations and experienced management

AMPL has a presence of almost seven decades in manufacturing medical dressings. The company is managed by its promoters, Mr. Siddharth Talati, Mr. Sitanshi Talati Parikh, Mrs. Sucheta Sidharth Talati, Mr. Shailesh Vinayak Rajpure and Mrs. Ashalata Baburao Raut. The promoters have extensive experience of more than two decades in drugs and pharmaceuticals Industry. The extensive experience and presence of AMPL has forayed in establishing healthy relationship with reputed clients including Jordon Armed Forces, Scott and Mahindra and Mahindra, among others.

Acuite believes that the promoters' entrepreneurial experience and healthy relationship with customers is expected to support its business risk profile over the medium term.

##### • Moderate financial risk profile

AMPL has moderate financial risk profile marked by tangible net worth of Rs.15.18 crore as on 31 March, 2019 (Est.) as against Rs.13.49 crore as on 31 March, 2018. The gearing stood at 1.15 times as on 31 March, 2019 (Est.) as against 0.86 times as on 31 March, 2018. The debt of Rs.17.52 crore as on 31 March, 2019 (Est.) consists of working capital borrowing of Rs.15.46 crore, unsecured loans from promoters of Rs.2.00 crore and term loans of Rs.0.06 crore.

The coverage ratios are moderate with Interest Coverage Ratio (ICR) of 2.26 times for FY2019 (Est.) against 3.23 times for FY2018. Debt Service Coverage Ratio (DSCR) stood at 1.82 times for FY2019 (Est.) against 2.47 times for FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.52 times as on March 31, 2019 (Est.) against 1.40 times as on March 31, 2018. Debt to EBITDA stood at 3.51 times in FY2019 (Est.) as compared to 2.02 times in FY2018. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.12 times in FY2019 (Est.) as against 0.25 times in FY2018.

Acuite believes that the financial risk profile of the company is expected to be at similar levels over the medium term in the absence of major debt funded capital expenditure plans.

## Weaknesses

### • Working capital intensive operations

AMPL's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 265 days in FY2019 (Est.) as compared to 170 days in FY2018. These high GCA days emanates from high debtor days of 149 days in FY2019 (Est.) as compared to 109 days in FY2018. The stretched debtor days is because of the delays in payment realization from customers as most of the customers are government entities. The inventory days also stood high at 119 days in FY2019 (Est.) as compared to 58 days in FY2018. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

### • Decline in revenues

AMPL has registered revenues of Rs.45.98 crore in FY2019 (Est.) compared to Rs.58.60 crore in FY2018. The decline in revenues is due to delay in export order.

### • Intense competition

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

## Liquidity Position

Liquidity profile of AMPL is adequate reflected by sufficient net cash accruals against no major maturing debt obligations. AMPL has reported cash accruals of Rs.2.03 crore in FY2019 (Est.) and expected to generate cash accruals in the range of Rs.2 crore – Rs.4.00 crore over the medium term against repayment obligations of Rs.0.06 crore. The utilisation of working capital limits remains more than 80 per cent every month. The current ratio stood at 1.69 times as on 31 March, 2019. Acuite believes that the cushion in its accruals is expected to be absorbed into its incremental working capital operations resulting into adequate liquidity profile.

## Outlook: Stable

Acuite believes AMPL will maintain a 'Stable' business risk profile in the medium term on account of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher than-expected growth in revenues, while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

## 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)

Not Applicable

## Any other information

Not Applicable

**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
05-Jul-2018	Cash Credit	Long Term	11.50	ACUITE BB+ / Stable (Upgraded)
	Packing Credit	Short Term	3.50	ACUITE A4+ (Withdrawn)
	Term Loan	Long Term	0.27	ACUITE BB+ / Stable (Upgraded)
	Letter of Credit	Short Term	1.75	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	3.50	ACUITE BB+ / Stable (Upgraded)
	Proposed Bank Guarantee	Long Term	1.98	ACUITE BB+ / Stable (Assigned)
04-Jan-2017	Cash Credit	Long Term	4.40	ACUITE BB- / Stable (Assigned)
	Packing Credit	Short Term	3.50	ACUITE A4+ (Assigned)
	Term Loan	Long Term	0.35	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	1.88	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	1.50	ACUITE BB- / Stable (Assigned)
	Proposed Letter of Credit	Short Term	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. Cr.)	Ratings/Outlook
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	15.00 (Enhanced from Rs.11.50 crore)	ACUITE BB / Stable (Downgraded from ACUITE BB+ / Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.27	ACUITE BB / Stable (Downgraded from ACUITE BB+ / Stable)
Letter of credit**	Not Applicable	Not Applicable	Not Applicable	3.50 (Enhanced from Rs.1.75 crore )	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.23 (Revised from Rs.3.50 crore)	ACUITE BB / Stable (Downgraded from ACUITE BB+ / Stable)

\*sublimit of FDBP/FUDBP (DP/DA 180 days under LC/contract) up to Rs.3.50 crore; sub limit of FDBP/FUDBP (DP/DA 180 days under LC/contract) of Rs. 3.50 crore; UBD under LC of prime bank of Rs. 1.00 crore.

\*\*sublimit of letter of guarantee of Rs. 3.50 crore.

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### About Acuité Ratings & Research:

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