

Press Release

Adeshwar Meditex Private Limited

December 11, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and 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 (AMPL). The outlook is '**Stable**'.

About Company

AMPL is a Mumbai based company founded in 1951 as a partnership firm. Subsequently, AMPL got reconstituted to private limited 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

Acuité has considered the standalone business and financial risk profile of AMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

AMPL has a presence of over seven decades in manufacturing medical dressings. The company is promoted by Mr. Siddharth Talati, Mr. Sitanshi Talati Parikh, Mrs. Sucheta Sidharth Talati, Mr. Shailesh Vinayak Rajpure and Mrs. Ashalata Baburao Raut, who possess over 2 decades of experience in the drugs and pharmaceuticals industry. The extensive experience of the promoters and the established presence of the company has helped in maintaining healthy relations with reputed customers like Mahindra and Mahindra Bajaj and Eicher motors, among others.

Acuité believes that the company will benefit from its experienced management, long-standing relations with customers over the medium term.

- **Moderate financial risk profile**

AMPL's financial risk profile is marked by moderate net worth, gearing (debt-equity) and moderate debt protection metrics. The tangible net worth of the company stood at Rs.18.86 crore as on 31 March, 2020 as against Rs.15.76 crore as on 31 March, 2019. The total debt of Rs.21.32 crore as on 31 March, 2020 consist of unsecured loans from promoters of Rs.6.13 crore and short term borrowing of Rs.15.19 crore. The gearing (debt-equity) stood at 1.13 times as on 31 March, 2020 as compared to 1.26 times as on 31 March, 2019. The Interest Coverage Ratio stood at 2.29 times for FY2020 as against 2.57 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood low at 1.49 times as on 31 March, 2020 as against 1.63 times as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.11 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.97 times in FY2020 as against 2.06 times in FY2019.

Acuité believes that the financial risk profile of AMPL will continue to remain moderate over the medium term on account of conservative financial policy and absence of any major debt-funded capital expenditure.

Weaknesses

• Intensive working capital cycle

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 265 days in FY2020 and 247 days in FY2019. The receivable days stood at 139 days in FY2020 as against 135 days in FY2019. The inventory days stood at 105 days in FY2020 as against 104 days in FY2019. The average bank limit utilisation stood high at ~97.00 percent for the past 7 months ending October 2020. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

• Intense Competition

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

Rating Sensitivities

- Sustaining existing scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Stretched

AMPL has a stretched liquidity position marked by moderate net cash accruals and high bank limit utilisation. AMPL generated cash accruals of Rs.2.40-3.00 crore during the last three years through 2018-20. The working capital cycle of the company is intensive, marked by Gross Current Assets (GCA) days of 265 days in FY2020 and 249 days in FY2019. The average bank limit utilisation stood high at ~97.00 percent for the past 7 months ending October 2020. The company maintained unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2020. The current ratio of AMPL stood moderate at 2.07 times as on March 31, 2020. Acuité believes that the liquidity of AMPL is likely to remain stretched over the medium term.

Outlook: Stable

Acuité believes that AMPL will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	56.12	52.92
PAT	Rs. Cr.	2.12	2.26
PAT Margin	(%)	3.77	4.27
Total Debt/Tangible Net Worth	Times	1.13	1.26
PBDIT/Interest	Times	2.29	2.57

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Sept-2019	Cash Credit	Long Term	15.00	ACUITE BB / Stable (Downgraded)
	Letter of Credit	Short Term	3.50	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.27	ACUITE BB / Stable (Downgraded)
	Proposed Bank Facility	Long Term	0.23	ACUITE BB / Stable (Downgraded)
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	ACUITE BB/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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