

Press Release

Schiller Healthcare India Private Limited (SHIPL)

22 June, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.53.50 Cr
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.53.50 crore bank facilities of Schiller Healthcare India Private Limited (SHIPL). The outlook is '**Stable**'.

SHIPL, incorporated in 1997, is a Mumbai-based company engaged in the manufacturing, trading and servicing of medical equipments. The company manufactures defibrillator (1000 units), monitors (550 units, ECG machines (1300 units) among others and also trades in medical equipments such as holter systems, ambulatory blood pressure recorder, syringe infusion pumps to name a few. The company is a joint venture between R. R. Group, India and Schiller AG (SAG), Switzerland. SAG caters to the Indian market through SHIPL.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management: The company is led by Mr. Alfred E. Schiller, Chairman and Mr. Vikram Sanghvi, Managing Director. While Mr Schiller possesses extensive experience in the global medical equipments industry, Mr Sanghvi has around two decades of experience in the trading and manufacturing of medical equipments in India.

Stable growth in revenues: For FY2015-16, the company registered revenue of Rs. 120.42 crore compared to Rs. 115.07 crore for FY2014-15. The total revenue stood at 54.65 per cent (from manufacturing) for FY2015-16, as against 30.31 per cent in FY2014-15 out of which 31.93 per cent constituted trading income (54.88 per cent in FY2014-15) and 13.42 per cent was from services and others. Going forward, the company plans to increase the proportion of manufacturing activities.

Established market position of 'Schiller': SHIPL has benefitted from the reputed brand name of 'SCHILLER' and a loyal clientele base in India. The company has around 76 dealers across India.

Long track record of operations: The medical equipment market is tender-based with maximum orders from government bodies. SHIPL has been the sole distributor of SAG's product in India for over 17 years.

Moderate financial risk profile: SHIPL's financial risk profile continues to remain moderate inspite of marginal decline in interest coverage ratio from 2.16 times in FY2014-15 to 2.05 times in FY2015-16 and DSCR from 1.62 times in FY2014-15 to 1.46 times in FY2015-16. The gearing (debt to equity ratio) stood at 0.87 times as on 31 March, 2016 (0.93 times as on 31 March, 2015).

Weaknesses:

Intense market competition: The company faces intense competition from domestic as well international players in the industry.

Working capital intensive operations: The working capital cycle of SHIPL continues to be stretched on account of high inventory and debtor days. For FY2015-16, the working capital cycle stood at 150 days with gross current asset (GCA) of 236 days as against 167 days of working capital cycle for FY2014-15 with GCA of 253 days. However, the debtor days have improved from 131 as on 31 March, 2016 to 123 days as on 30 September, 2016 and inventory days have reduced to 89 days as on 30 September, 2016 from 96 as on 31 March, 2016. The business inherently requires moderately high working capital as SHIPL generates around 65 per cent of total revenue from government orders. The same has resulted in high collection days during the period under consideration.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities: <https://www.smera.in/criteria-trading.htm>

Outlook: Stable

SMERA believes that the outlook on SHIPL will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins.

About the Rated Entity

For FY2015-16, SHIPL reported net profit of Rs.2.80 crore on operating income of Rs.120.42 crore, as compared with net profit of Rs.3.84 crore on operating income of Rs.115.07 crore in FY2014-15. The networth of the company stood at Rs. 38.16 crore as on 31 March, 2016 compared to Rs. 35.38 crore as on 31 March, 2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
31 July, 2015	Term loan	Long term	7.50	SMERA BBB-/Stable (Reaffirmed)
	Cash Credit*	Long term	17.50	SMERA BBB-/Stable (Reaffirmed)
	Cash Credit^	Long term	5.50	SMERA BBB-/Stable (Reaffirmed)
	Letter of Credit/Buyer's Credit	Short term	5.00	SMERA A3 (Reaffirmed)
	Bank Guarantee	Short term	15.00	SMERA A3 (Reaffirmed)
	Letter of Credit	Short term	3.00	SMERA A3 (Reaffirmed)
20 June, 2014	Term loan	Long term	7.50	SMERA BBB-/Stable (Assigned)
	Cash Credit*	Long term	11.40	SMERA BBB-/Stable (Assigned)
	Cash Credit^	Long term	5.50	SMERA BBB-/Stable (Assigned)
	Letter of Credit/Buyer's Credit	Short term	3.00	SMERA A3 (Assigned)
	Bank Guarantee	Short term	10.00	SMERA A3 (Assigned)
	Letter of Credit	Short term	3.00	SMERA A3 (Assigned)
	Proposed Cash Credit	Short term	6.10	SMERA BBB-/Stable (Assigned)
	Proposed Letter of Credit	Short term	2.00	SMERA A3 (Assigned)
	Proposed Bank Guarantee	Short term	4.00	SMERA A3 (Assigned)
	Proposed Letter of Credit	Short term	2.00	SMERA A3 (Assigned)
	Proposed FBP/FBN	Short term	1.00	SMERA A3 (Assigned)

*Includes sublimit of WCDL to the extent of Rs.3.20 crore and EPC-cum-FBP to the extent of Rs.1.50 crore

^Includes sublimit of WCDL to the extent of Rs.5.50 crore

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	2019	7.50	SMERA BBB-/Stable (Reaffirmed)
Cash Credit*	N.A	N.A	N.A	17.50	SMERA BBB-/Stable (Reaffirmed)
Cash Credit^	N.A	N.A	N.A	5.50	SMERA BBB-/Stable (Reaffirmed)
Letter of credit/Buyer's credit	N.A	N.A	N.A	5.00	SMERA A3 (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	3.00	SMERA A3 (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	15.00	SMERA A3 (Reaffirmed)
Proposed Long Term/Short Term	N.A	N.A	N.A	N.A	N.A

*Includes sublimit of WCDL to the extent of Rs.3.20 crore and EPC-cum-FBP to the extent of Rs.1.50 crore

^Includes sublimit of WCDL to the extent of Rs.5.50 crore

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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