

Press Release

Rapha Diagnostics Private Limited

31 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.79 Cr.
Long Term Rating	SMERA B/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.7.79 crore bank facilities of Rapha Diagnostics Private Limited (RDPL). The outlook is '**Stable**'.

RDPL, a Mumbai-based company incorporated in 2002 by Dr. Isac Jhon is engaged in the trading and manufacturing of medical and diagnostic kits such as Elisa Kits, Rapid Test Kits, Urine Strips, Elisa Microplate Readers to name a few. The firm caters to diagnostic centers, labs and medical stores.

Key rating drivers

Strengths

Experienced management

The promoter, Dr. Isac Jhon has extensive experience in the pharmaceutical industry and has been able to establish comfortable relations with customers and suppliers.

Weaknesses

Small scale of operations

The company registered marginal decline in revenue to Rs.6.57 crore in FY2017 from Rs.6.78 crore in the previous year as it decided to stop trading in blood collecting vacuum tubes imported from China due to lack of demand for the same. The company booked revenue of around Rs.5.4 crore till November 2017 (Provisional).

Moderate financial risk profile

The financial risk profile is moderate marked by modest networth, comfortable gearing and weak debt protection metrics. The networth stood at Rs.5.79 crore as on 31 March, 2017 as against Rs.4.79 crore in the previous year. The networth consists of unsecured loans of Rs.3.73 crore which are subordinated to bank. Hence, SMERA has treated them as quasi equity. The gearing stood at 0.94 times as on 31 March, 2017 as against 1.16 times in the previous year. The total debt of Rs.5.46 crore as on 31 March, 2017 consists of long term debt of Rs.2.29 crore, Current portion of long term debt (CPLTD) of Rs.0.82 crore and short term debt of Rs.2.35 crore. The Interest Coverage Ratio (ICR) stood at 0.96 times for FY2017 as against 1.46 times for the previous year.

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset days (GCA) of 332 as on 31 March, 2017 as against 291 days in the previous year. The high GCA days are due to high inventory days of around 180 as on 31 March, 2017 compared to 106 in the previous year. The stretched receivables stood at around 134 days as on 31 March, 2017 as against 173 days in the preceding year. The main reason for piling up of inventory is competition from established players.

Highly competitive and fragmented pharmaceutical industry

The company operates in a highly competitive and fragmented pharmaceutical industry dominated by small as well as large players.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook – Stable

SMERA believes that the outlook on RDPL's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers significant growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	6.57	6.78	7.59
EBITDA	Rs. Cr.	0.49	0.54	0.32
PAT	Rs. Cr.	(0.38)	0.08	0.07
EBITDA Margin	(%)	7.39	7.95	4.23
PAT Margin	(%)	(5.71)	1.12	0.89
ROCE	(%)	3.55	6.14	8.51
Total Debt/Tangible Net Worth	Times	0.94	1.16	0.87
PBDIT/Interest	Times	0.96	1.46	1.64
Gross Current Assets	Days	332	291	239

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Not Applicable

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	3.00	SMERA B/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.29	SMERA B/Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4

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ABOUT SMERA

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