Press Release

DANASH MAND ORGANIC PRIVATE LIMITED

06 March, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' **(read as SMERA double B)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.7.50 crore bank facilities of DANASH MAND ORGANIC PRIVATE LIMITED. (DMOPL) The outlook is **'Stable'**.

The Mumbai-based DMOPL incorporated in 1999 is engaged in the manufacturing of pharma ingredients (API) at Roha. The company manufactures Riboflavin-5-Phosphate Sodium, Metformin, Camphorquinone, Permethrin (Under process) to name a few.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**
  DMOPL was incorporated in 1999. The company is led by Mrs Gurvinder Kaur (Managing Director) and Mr. Nagnath Govind Rao (Whole Time Director) with experience of two decades in the pharmaceuticals industry.

- **Moderate financial risk profile**
  The financial risk profile of the group is moderate marked by net worth of Rs. 5.15 crore as on 31 March, 2017 compared to Rs.4.53 crore as on 31 March, 2016. The adjusted gearing (debt-equity) improved to 0.81 times as on 31 March, 2017 compared to 0.97 times as on 31 March, 2016. The total debt mainly includes working capital borrowings of Rs. 3.75 crore as on 31 March, 2017 and long term loan of Rs. 0.41 crore which has been repaid in FY2018. The Interest Coverage ratio (ICR) stood at 4.03 times in FY2017 as compared to 4.05 times in FY2016. The Total Outstanding Liabilities to Total Net Worth (TOL/TNW) stood at 1.63 times as on 31 March, 2017 compared to 1.38 times in the previous year. Going forward, SMERA expects the financial risk profile to improve marginally in the medium term in the absence of further debt funded capex.

- **Comfortable profitability margins**
  The PAT margins improved to 2.64 percent in FY2017 from 2.62 percent in FY2016. Also, the EBITDA margin improved to 8.69 percent in FY2017 from 7.87 percent in FY2016. Going forward, SMERA expects margins to be stagnant.

Weaknesses

- **Working capital intensive operations**
  The operations are working capital intensive marked by Gross Current Asset (GCA) days of 117 in FY2017 as against 110 in FY2016. The high GCA is on account of high inventory of 67 days, creditors of 48 days and debtors of 41 days in FY2017. The average bank limit utilisation for the past six months stood at more than 95 percent. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• **Moderate scale of operations, uneven revenue trend**
The scale of operations is moderate as reflected in the operating income of Rs. 23.67 crore in FY2017 and 18.97 crore in FY2016. The company registered compounded annual growth rate (CAGR) of around 3 per cent year on year.

• **Exposure to foreign exchange fluctuation risk**
DMOPL imports about 100 percent of its raw materials from Germany, China and exports 70 percent of its finished goods to Germany, Italy, USA, Europe. The company is thus exposed to foreign exchange fluctuation risk but the same is offset through natural hedging.

• **Highly regulated and competitive sector**
The pharma sector is highly regulated. Unfavourable changes in regulations may affect business. Besides, the company faces intense competition from large players in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of DANASHMAND ORGANIC PRIVATE LIMITED to arrive at the rating.

Outlook: Stable

SMERA believes that DMOPL will maintain a 'Stable' outlook over the medium term on account of its experienced and qualified management. The outlook may be revised to 'Positive' if the company registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.67	18.97	22.18
EBITDA	Rs. Cr.	2.06	1.49	1.32
PAT	Rs. Cr.	0.63	0.50	0.47
EBITDA Margin	(%)	8.69	7.87	5.94
PAT Margin	(%)	2.64	2.62	2.13
ROCE	(%)	15.12	13.02	24.99
Total Debt/Tangible Net Worth	Times	0.97	1.03	1.05
PBDIT/Interest	Times	4.03	4.05	4.17
Total Debt/PBDIT	Times	2.29	2.97	3.07
Gross Current Assets (Days)	Days	117	110	113

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

• Default Recognition - https://www.smera.in/criteria-default.htm
• Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
• 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

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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	SMERA BB / Stable
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA A4+

Contacts

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ABOUT SMERA

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