

Press Release

Sri Sai Appa Biocare

D-U-N-S® Number: 67-548-4912

April 09, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 12.00 crore bank facilities of Sri Sai Appa Biocare (SSAB). The outlook is '**Stable**'.

SSAB is a Chennai based partnership firm established in 2016 promoted by Mr.Kr Ramesh Kulandaraj, Mr.Kr Siva Mr.Kailasanathan J and Mr.S Soundararajan. SSABC distributes medical devices of various principals across the Southern India and its major presence in Tamilnadu and Pondicherry states. Some of the key principals of SSABC include renowned global companies in medical devices industry such as Medtronic Inc, Abbott Vascular (AV) Inc, and St. Jude Medical, Inc and Teleflex. Product profile of the firm consists of Cardiac Stent (DES), PTCA Balloons (BDC), PTCA Guidewires, Indeflators and other accessories, Cardio Vascular Imaging Products and Medtronic Trauma Care Division Products amongst others. Further SSABC is appointed as an authorized carrying and forwarding agency (CFA) for Teleflex-Pilling and Arrow cardiac assist products for South India from Jan 2018.

Analytical Approach

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

Key Rating Drivers

Strengths

- Extensive experience of the partners**

The partners have an experience of over 25 years in medical distribution industry associated with other concerns. SSABC is associated with several reputed multi-national companies for Abbott Vascular, St Jude Medical, Teleflex, Medtronic distributor of their medical products. Trading operations started in FY2017 with multi-fold growth in revenues, though on a low revenue base; supported by experienced team. SSABC reported revenues of about Rs.7.9 crore in FY2018, and for 11MFY2019, it has reported revenues of Rs.12.60 crore and expecting revenues in the range of Rs.15-20 crore over the medium term. Acuite believes that SSABC will continue to benefit over the medium term from the extensive experience of the partners and strong and reputed equipment supplier.

Weaknesses

- Below Average financial risk profile**

The financial risk profile is marked by moderate capital structure and debt protection metrics. The net worth is modest at Rs.1.38 crore in FY2018 as against Rs.0.23 crore; improvement owing to modest accretion to reserves and infusion of capital. Low networth and modest accretions results in high gearing at 1.93 times as on March 31, 2018, significant improvement from 4.03 times as on march, 2017. Further its TOL/TNW is high at 5.03 times FY2018 against 22.72 times in FY2017. Moderate net cash accruals resulted in moderate debt protection metrics of interest coverage and net cash accruals to total debt (NCA/TD) at 1.57 times and 0.07 times in FY2018. The firm's cash accruals are expected in the range of Rs.0.25 - 0.50 crores against minimal repayment obligations. Acuite believes that the financial risk profile is expected to improve marginally over the medium term in the absence of significant debt-funded capex plans and repayment of term loans.

- **High working capital intensive operations**

The firm's operations are highly working capital intensive as evident from its high Gross Current Assets (GCA) of 347 days as on March 31, 2018 as against 795 days as on March 31, 2017. Further GCA is expected to be at similar levels due to the staggered deliverables and maintains 6 months inventory levels. High working capital intensity due to large inventory holding given the diverse products handled and the requirement to meet customers' orders at short notice. High credit given to customers has led to high utilisation of its bank lines at 90 percent over the past six months through Feb 2019. Acuite believes that any significant increase in the working capital or any write off of debtors will have a bearing on the liquidity profile of the firm.

Liquidity Position:

SSAB's liquidity is stretched as reflected by high bank limit utilisation, high GCA and moderate accruals. Its bank lines are utilised about 97 percent over six months through Feb 2019. Its operations are highly working capital intensive as reflected in its GCA days of 347 as of March 31, 2018. The firm reported cash accruals of Rs.0.19 crore in FY2018. The accruals are expected in the range of Rs.0.25-0.50 crore over the medium term, against which its repayment obligations are minuscule. The current ratio of the firm is weak at 1.07 times as on March 31, 2018. SSAB's operations are working capital intensive which lead to high utilisation of its working capital limits at about 97 percent over the past six months ended February 2019. Acuite believes that the liquidity profile of the SSAB continues to be stretched owing to modest accruals and high GCA.

Outlook: Stable

Acuite believes that SSAB will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while improving its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	7.87	2.12
EBITDA	Rs. Cr.	0.46	0.30
PAT	Rs. Cr.	0.19	0.11
EBITDA Margin	(%)	5.86	14.02
PAT Margin	(%)	2.41	5.16
ROCE	(%)	20.41	57.09
Total Debt/Tangible Net Worth	Times	1.93	4.03
PBDIT/Interest	Times	1.57	1.50
Total Debt/PBDIT	Times	5.09	2.80
Gross Current Assets (Days)	Days	347	795

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Trading Sector - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.30	ACUITE A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.40	ACUITE B / Stable

Contacts

Analytical	Rating Desk
<p>Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 sihari.adari@acuute.in</p> <p>Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-40055452 bhavanisankar.oruganti@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuute.in</p>

About Acuite Ratings & Research:

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