



**Press Release**  
**MEDEX INTERNATIONAL**  
**November 17, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE B+   Stable   Reaffirmed	-
Bank Loan Ratings	12.00	-	ACUITE A4   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	15.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) and Acuite has reaffirmed the short term rating to '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.15.00 crore bank facilities of Medex International (MI). Outlook is '**Stable**'.

**Rationale for the Reaffirmation**

The rating reaffirmation considers improvement in company's operating income albeit decline in profitability margins. The revenue of the firm stood at Rs.28.93 Cr in FY2023 as against Rs.32.54 Cr in FY2022, while the operating margins stood at 5.38% and 4.05% during the same period. The rating also derives strength from the long track record of operations and experience of the management. The above strengths are constrained by the working capital-intensive nature of operations and MI's presence in a competitive industry with low entry barriers.

**About the Company**

Medex International (MI) established in October 2016 is a Delhi based proprietorship firm of Mr. Swaran Singh, engaged in trading of various electrical goods and equipment such as cables, bulbs, transmission wires, switches, sockets etc. as a sub-contractor for EPC contractors engaged in undertaking various government projects related to distribution and supply of electricity in rural areas. Mr. Swaran Singh has an experience of about four decades in the industry through his association with the companies; Medcraft International Private Limited, Omkareshwar Builders Private Limited, Pathfinder Infrastructures Private Limited.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Long track record of operation and experience of the management**

MI was established in 2016 as a proprietorship firm. The proprietor of the firm, Mr. Swaran Singh has an experience of about four decades through his association with Medcraft International

Private Limited, Omkareshwar Builders Private Limited and Pathfinder Infrastructures Private Limited as director. The experience of management has helped the firm to develop healthy relationships with customers and suppliers in a relatively short span of time. MI's operating

income stood at Rs. 28.93 Cr in FY2023 as against Rs.32.54 Cr in FY2022, while the operating margins stood at 5.38% and 4% during the same period.

Acuité believes that MI will sustain its existing business profile backed by experienced management.

### **Weaknesses**

#### **Below average financial risk profile**

The financial risk profile of the company remained average marked by low net worth, high gearing and moderate debt protection metrics. The net worth of Rs.1.11 Cr as on FY2023(Prov) as against Rs.0.90 Cr as on FY2022. The gearing (debt-equity) stood at 2.13 times as on FY2023(Prov) as against 3.50 times as on FY2022. The total debt of Rs.2.36 Cr as on FY2023(Prov) consists of long-term of Rs.0.47 Cr. and short term of Rs.1.89 Cr. of bank borrowings. The interest coverage ratio stood at 1.31 times for FY2023(Prov) as against 1.59 times for FY2022. The DSCR stood at 1.39 times for FY2023(Prov) as compared to 1.59 times for FY2022. The Net Cash Accruals to Total debt stood at 0.16 times for FY2023(Prov) as against 0.16 times for FY2022. The Total outside liabilities to Tangible net worth stood high at 12.45 times for FY2023(Prov) as against 11.60 times in FY2022.

#### **Working capital management**

The working capital management of the company remained intensive marked by high Gross Current Assets (GCA) of 154 days for FY2023 (Prov) as compared to 93 days as on FY2022. The debtor period stood at 75 days for FY2023 (Prov). Further, the inventory holding stood at 31 days for FY2023 (Prov) as against 16 days for FY2022. The payment cycle varies from 15-30 days. The working capital cycle of the Company is expected to remain at similar levels over the medium term.

#### **Susceptibility to cyclical nature of industry and competitive nature of industry**

The firm engaged in trading business of electrical products to dealers, as a sub-contractor for EPC contractors engaged in undertaking various government projects related to distribution and supply of electricity in rural areas. Demand for electrical components is majorly dependent upon the economic activities taking place in and around the country. The end user industry being infrastructure, manufacturing, service and real state, any significant slowdown in these industries will impact the demand of electrical components and will impact the revenues of the firm. Further, the firm competes with various players in the organized and unorganized segments in the electrical component trading industry, thus limiting the pricing power.

### **Rating Sensitivities**

- Further elongation of working capital cycle
- Ability to maintain scale of operations and maintaining profitability

### **All Covenants**

None

### **Liquidity Position Stretched**

The company has a stretched liquidity profile marked by modest net cash accruals against repayment obligations and elongated working capital cycle. The company generated net cash accruals of Rs.0.39 Cr in FY2023 and is expected to generated net cash accruals in the range of Rs.0.60-0.98 Cr in the medium term. The gross current asset days of the firm stood high at 154 days in FY2023(Provisional) due to high debtor and inventory days. Current ratio stood modest at 1.09 times in FY2023(Prov). Acuité believes liquidity profile will continue to remain stretched in the medium term due to high working capital requirement.

### **Outlook: Stable**

Acuité believes that MI will maintain a 'Stable' outlook on account of its experienced management and improving scale of operations. The outlook may be revised to 'Positive' in

case of significant improvement in working capital operations while, maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

#### **Other Factors affecting Rating**

None

#### **About the Rated Entity - Key Financials**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	28.93	32.54
PAT	Rs. Cr.	0.33	0.35
PAT Margin	(%)	1.15	1.09
Total Debt/Tangible Net Worth	Times	2.13	3.50
PBDIT/Interest	Times	1.31	1.59

### 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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jul 2023	Secured Overdraft	Long Term	3.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	12.00	ACUITE A4 ( Issuer not co-operating*)
26 Apr 2022	Secured Overdraft	Long Term	3.00	ACUITE BB-   Stable (Upgraded from ACUITE B+)
	Letter of Credit	Short Term	12.00	ACUITE A4 (Reaffirmed)
30 Mar 2021	Secured Overdraft	Long Term	3.00	ACUITE B+ (Issuer not co-operating*)
	Letter of Credit	Short Term	12.00	ACUITE A4 (Issuer not co-operating*)
07 Jan 2020	Secured Overdraft	Long Term	3.00	ACUITE B+   Stable (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A4 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A4   Reaffirmed
UCO Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE B+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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