February 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.50	SMERA BBB-/Stable (Assigned)
Packing Credit*	16.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee#	1.00	SMERA A3 (Assigned)
Letter of Credit**	1.00	SMERA A3 (Assigned)

**Fully interchangeable with PCFC (Packing Credit in Foreign Currency), FOBP (Foreign Outward Bill of Purchase) and Cash Credit*
#Fully interchangeable with Inland/Foreign Performance Bank Guarantee
***Fully interchangeable with Import/Inland Letter of Credit/Buyer's Credit*

SMERA has assigned ratings of **'SMERA BBB-' (read as SMERA triple B minus)** to the Rs.17.50 crore long-term (fund-based) bank facilities and **'SMERA A3' (read as SMERA A three)** to the Rs.2.00 crore short-term (non-fund based) bank facilities of Datt Mediproducts Limited (DMPL). The outlook is **'Stable'**. The ratings derive comfort from the company's healthy financial risk profile and comfortable liquidity position. The ratings also derive comfort from the company's experienced management and established relations with customers and suppliers. However, the ratings are constrained by the company's working capital-intensive operations. The ratings are also constrained by the company's exposure to intense competition in the medical supplies industry.

DMPL, incorporated in 1995, is a New Delhi-based company engaged in manufacturing and export of medical supplies such as gauze, bandages, adhesives, dressings and paper tape. DMPL's healthy financial risk profile is marked by low leverage (debt-equity ratio) of 0.32 times as on March 31, 2014 and strong interest coverage ratio of 3.79 times in FY2013–14 (refers to financial year, April 01 to March 31). The company's total debt of Rs.19.47 crore (as on March 31, 2014) includes non-interest bearing unsecured loans of Rs.9.07 crore from promoters, friends and relatives. These unsecured loans are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

DMPL's comfortable liquidity position is evidenced by moderate utilisation (85 per cent) of working capital limits during December 2013 to November 2014.

DMPL benefits from its experienced management. Dr. Rajan Datt, director of DMPL, has around 25 years of experience in the medical supplies industry. DMPL also benefits from its established relations with customers and suppliers.

DMPL faces intense competition from several players in the medical supplies industry. The company's operations are working capital-intensive, as reflected in gross current assets (GCA) of 169 days and inventory holding period of 84 days in FY2013–14.

***Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*

Outlook: Stable

SMERA believes DMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's profitability, or in case of significant deterioration in the company's capital structure and liquidity position.

About the company

DMPL, incorporated in 1995, is a New Delhi-based company promoted by Dr. Rajan Datt. DMPL undertakes manufacturing and export of medical supplies such as gauze, bandages, adhesives, dressings and paper tapes.

For FY2013–14, DMPL reported profit after tax (PAT) of Rs.1.36 crore on operating income of Rs.61.29 crore, as compared with PAT of Rs.2.87 crore on operating income of Rs.57.18 crore in the previous year. The company's net worth stood at Rs.32.24 crore as on March 31, 2014, as compared with Rs.31.38 crore a year earlier.

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