

November 29, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	13.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A3 (Assigned)
Letter of Credit	0.10	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' to the Rs.13.00 crore long-term (fund based) bank facilities and '**SMERA A3**' to the Rs.3.10 crore short-term (non-fund based) bank facilities of Multani Pharmaceuticals Limited (MPL). The outlook is '**Stable**'. The ratings are supported by the company's healthy profit margins and strong debt protection metrics. The ratings are further supported by the company's long track record of operations, experienced management and strong growth in revenues. However, the ratings are constrained by the company's working capital-intensive operations and exposure to intense competition prevalent in the alternative medicine industry.

MPL, incorporated in 1986, is a Delhi-based company engaged in manufacturing of *ayurvedic* veterinary and *unani* medicines. MPL also manufactures *ayurvedic* food supplements and cosmetics. The company reported healthy net profit margin of 6.34 per cent in FY2012-13 (refers to financial year, April 01 to March 31). MPL has strong debt protection metrics with leverage at 1.69 times as on March 31, 2013 and interest coverage ratio of 3.16 times in FY2012-13.

MPL benefits from its experienced management. Mr. Pradeep Multani, Director of MPL, is a third-generation entrepreneur with more than two decades of experience in the alternative medicine industry. MPL registered strong revenue growth of about 26 per cent during FY2008-09 to FY2012-13, primarily due to the establishment of point of sales terminals across India.

MPL's operations are working capital-intensive as evidenced in high average bank limit utilisation of 90 per cent to 95 per cent during March 2013 to September 2013. The company faces intense competition from various large and small players operating in the alternative medicine industry.

Outlook: Stable

SMERA believes MPL will maintain its healthy business risk profile in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's working capital management and capital structure.

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.

About the company

MPL, incorporated in 1986, is a Delhi-based company engaged in manufacturing of *ayurvedic*, veterinary and *unani* medicines. The company also manufactures *ayurvedic* food supplements and cosmetics. MPL has developed more than 500 products till date. The company is headed by Mr. Pradeep Multani.

MPL's registered office is located in Delhi. The company has two manufacturing units located in Delhi and Roorkee (Uttarakhand).

For FY2012-13, MPL reported PAT of Rs.3.04 crore on operating income of Rs.47.94 crore as compared with PAT of Rs.4.21 crore on operating income of Rs.43.27 crore for FY2011-12. MPL's net worth stood at Rs.13.90 crore as on March 31, 2013.

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