

August 30, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee*	1.00	SMERA A3+ (Assigned)

**Interchangeable with Letter of credit to the extent of Rs.0.50 crore*

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA Triple B minus**) to the Rs.9.00 crore long-term facilities (fund based) and '**SMERA A3+**' (read as **SMERA A three plus**) to the Rs.1.00 crore short-term facility (non-fund based) of Kox Med & Labs Private Limited (KMLPL). The outlook is '**Stable**'.

The ratings are supported by the company's experienced management, established track record of operations, long dealership association with multinational companies and strong customer base. The ratings are further supported by the company's moderate financial risk profile marked by comfortable coverage indicators; moderate leverage and profit margins and efficient working capital management. However, the ratings are constrained by the company's moderate scale of operations in a highly competitive industry. The ratings are also constrained by the company's exposure to product concentration risk.

KMLPL, established in 2001, is engaged in the distribution of non-surgical cardiology products including stents, pacemakers and angiography devices for select global medical equipment manufacturing companies. KMLPL has strong associations with leading players in the healthcare segment including Abbott Vascular, Boston Scientific Corporation and St. Jude Medical's. KMLPL is a distributor of Abbott Vascular's non-surgical cardiology products (including bio absorbable stents, pacemakers and angiography devices) in Delhi NCR, Jaipur and Nepal. KMLPL's association with Abbott Vascular spans over a decade. Furthermore, KMLPL derives support from its established relationships with reputed customers including Paras Healthcare Private Limited, Escorts Heart Institute and Research Centre Limited, Ganga Ram Hospital, Fortis Hospital and Batra Hospitals. KMLPL is promoted and managed by Mr. Praveen Khurana, Mr. Kapil Suri, Mr. Davinder Kumar Suri, and Mrs. Deepali Khurana. The company's promoters have more than a decade of experience in the medical equipments industry.

KMLPL has a moderate financial risk profile marked by comfortable coverage indicators, moderate leverage and profit margin. The company has efficient working capital management as reflected in low average utilisation of working capital limit at ~76 per cent during January 2013 to June 2013.

KMLPL's ratings are constrained by the company's moderate scale of operation. The company's revenues declined marginally from Rs.63.53 crore in FY2011-12 to Rs.63.21 crore in FY2012-13,

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mainly on account of reduction in the prices of drug eluting stents as per the directive of the government reimbursing agency for the Central Government Health Scheme (CGHS). KMLPL is exposed to intense competition from the presence of several companies (peers of Abbott Vascular) operating in the biomedical device market. Moreover, KMLPL is highly dependent on the sale of stents, which account for over 50 per cent of the company's the total revenues.

Outlook: Stable

SMERA believes the outlook on KMLPL's rated facilities will remain stable in the near term on the back of the company's experienced management and established association with reputed principals and customers. The outlook may be revised to 'Negative' in case the company avails significant borrowings to meet its working capital requirements. The outlook may be revised to 'Positive' in case the company undertakes product diversification while generating larger-than-expected cash flows with increase in scale of operations.

About the company

KMLPL, established as a partnership firm in 2001 by Mr. Parveen Khurana and Mr. Kapil Suri, was converted into a private limited company in 2004. KMLPL is engaged in distribution of non-surgical cardiology products including stents, pacemakers and angiography devices for select global medical equipment manufacturing companies. KMLPL is a distributor of Abbott Vascular's non-surgical cardiology products in the NCR Region, Jaipur and Nepal. KMLPL's association with Abbott Vascular spans over a decade. KMLPL has a registered office and administrative office in New Delhi.

For FY2012-13, as per audited financials, KMLPL reported profit after tax of Rs.1.17 crore on net sales of Rs.63.21 crore, as compared with profit after tax of Rs.1.14 crore on net sales of Rs.63.53 crore for FY2011-12. The company's net worth stood at Rs.7.03 crore as on March 31, 2013.

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