



SMERA RATINGS LIMITED

# Kox Med & Labs Private Limited (KMLPL)

## Rating Rationale

**December 12, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00*	SMERA BBB-/ Stable (Reaffirmed)
Bank Guarantee	3.00	SMERA A3+ (Reaffirmed)

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

SMERA has reaffirmed the ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.9.00 crore long-term bank facility and '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs.3.00 crore (enhanced from Rs.1.00 crore) short-term bank facility of Kox Med & Labs Private Limited (KMLPL). The outlook is '**Stable**'. The ratings remain constrained by the company's moderate-scale operations in a highly fragmented and competitive segment of the biomedical industry. However, the ratings are supported by the company's experienced management and moderate financial risk profile.

### Update

KMLPL's revenues increased marginally from Rs.63.22 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.65.81 crore in FY2013-14. The company's operating profit margin increased from 4.96 per cent in FY2012-13 to 5.38 per cent in FY2013-14.

KMLPL's financial risk profile has marginally deteriorated on account of stretch in working capital cycle. The company's gearing (debt-equity ratio) deteriorated from 1.37 times as on March 31, 2013 to 1.80 times as on March 31, 2014. KMLPL's interest coverage ratio declined from 2.63 times in FY2012-13 to 2.38 times in FY2013-14. The company's inventory holding period has stretched to 86 days in FY2013-14 from 57 days in FY2012-13.

### Outlook: Stable

SMERA believes KMLPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with reputed principals and customers. The outlook may be revised to 'Negative' in case of significant deterioration in the company's financial risk profile on account of higher-than-expected borrowings for working capital requirements. The outlook may be revised to 'Positive' in case the company undertakes product diversification and registers larger-than-expected cash flows from operations.

### About the company

KMLPL, established as a partnership firm in 2001, was converted into a private limited company in 2004. KMLPL is promoted by Mr. Parveen Khurana and Mr. Kapil Suri. The company has its registered and administrative office in New Delhi.

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KMLPL undertakes distribution of non-surgical cardiology products such as stents, pacemakers and angiography devices. The company has exclusive rights to distribute Abbott Vascular's non-surgical cardiology products in NCR, Jaipur and Nepal. KMLPL's association with Abbott Vascular spans over a decade.

For FY2013-14, KMLPL reported net profit of Rs.1.15 crore on total income of Rs.65.89 crore, as compared with net profit of Rs.1.18 crore on total income of Rs.63.22 crore in FY2012-13. The company's net worth stood at Rs.7.59 crore as on March 31, 2014, as compared with Rs.6.43 crore a year earlier.

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