



SMERA RATINGS LIMITED

Kox Med & Labs Private Limited (KMLPL)**Rating
Rationale****February 27, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00	SMERA BB+/Stable (Downgraded from SMERA BBB-/Stable)
Bank Guarantee	1.00 (Decreased from Rs.3.00 crore)	SMERA A4+ (Downgraded from SMERA A3+)

SMERA has downgraded the long term rating on the above mentioned fund based facilities of Kox Med & Labs Private Limited (KMLPL) to '**SMERA BB+**' (read as **SMERA double B plus**) from '**SMERA BBB-**' (read as SMERA triple B minus) and the short term rating to '**SMERA A4+**' (read as **SMERA A four plus**) from '**SMERA A3+**' (read as SMERA A three plus). The outlook is '**Stable**'. The rating downgrade reflects in the deterioration in the financial risk profile. Deterioration in financial profile can be attributes in the decline in net profitability margin from 1.74 per cent in FY2014 to 1.20 per cent in FY2015. Further interest coverage ratio of the company decreased from 2.38 times in FY2014 to 2.05 times in FY2015.

The ratings are further supported by long experience of the promoters in the medical equipment business and leading position of the company's principles in the pharmaceutical industry. However, the ratings are constrained by competitive and fragmented nature of industry and company's moderate scale of operations.

Update

The net worth of the company increased to Rs.8.41 crore as on March 31, 2015 from Rs.7.59crore as on March 31, 2014 while the net profit margin decreased to 1.20 per cent for FY2015 from 1.74 per cent in FY2014. The interest coverage ratio also deteriorated to 2.05 times in FY2015 from 2.38 times in FY2014. The profitability margins remain susceptible to volatility in the non surgical cardiovascular equipments price.

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 the 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.

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.



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About the Company

Kox Med & Lab Private Limited (KMLPL) was incorporated in 2001 as a partnership firm, was converted into a Private Limited Company in 2004. Kox Med & Lab Private Limited (KMLPL) is engaged in the business of distribution of Non- Surgical cardiology Products like Stents, Pace makers, Angiography products besides other devices for select global medical equipment manufacturing companies. The company serves as an exclusive distributor for particular product range manufactured by each principal for a defined set of hospitals. The company serves hospitals located largely in the Delhi/NCR region

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