

Press Release

Kox Med And Lab Private Limited

July 07, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 10.00 crore bank facilities of Kox Med And Lab Private Limited. The outlook is '**Stable**'.

Kox Med & Labs Private Limited (KMLPL) established in 2001 is engaged in the distribution of non-surgical cardiology products such as ducts, stents, pace makers among others. The company caters to hospitals in Delhi/NCR.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. Praveen Khurana, Mr. Kapil Suri, Mr. Davinder Kumar Suri, and Mrs. Deepali Khurana possess more than a decades experience in the industry.

- **Established relationship with reputed clientele**

KMLPL has long term relations of around 16 years with reputed clients such as Paras Health care Private Limited, Escorts Heart Institute and Research Centre Limited, Ganga Ram Hospital among others which helps to get repeat business.

- **Moderate financial risk profile:**

KMLPL has moderate financial risk profile with moderate gearing (debt to equity) at 1.77 times as on 31 March, 2017 (Provisional) as against 2.31 times as on 31 March, 2016. The Interest coverage ratio (ICR) remained moderate at 1.57 times in FY2017 (Provisional) as against 1.89 times in FY2016. The company has net cash accruals of Rs. 1.59 crore for FY2017. The NCA/TD stood at 0.09 times for FY2017 (Provisional). The net worth is moderate at Rs. 10.41 crore as on 31 March, 2017 as against Rs. 9.31 crore as on 31 March, 2016. The TOL/TNW has been high at 2.87 times in FY2017 (Provisional).

- **Moderate profitability margins**

The EBITDA margin stood at 7.16 per cent in FY2017(Provisional) as against 6.02 per cent in FY2016. The EBITDA margins have improved due to decrease in administration and selling expenses. The PAT margins are thin and stood at 1.27 per cent for FY2017 (Provisional) as against 1.41 per cent for FY2016.

Weaknesses

- **Decline in revenues**

KMLPL's revenues declined to Rs.59.88 crore in FY2017 from Rs.64.49 crore in FY2016 and Rs. 67.75

crore in FY2015 on account of fall in the prices of stents due to a price cap.

• **Working capital intensive operations**

The operations have remained working capital intensive reflected in the working capital cycle of 140 days for FY2017 as against 136 days in FY2016 due to high inventory days of 122 and debtor days of 99 for FY2017. The bank limit utilisation has been around 90 per cent in the last six months ended March 2017.

• **Highly fragmented and competitive industry**

KMLPL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers..

Analytical Approach

SMERA has considered the standalone financial and business risk profile of Kox Med and Labs Private Limited to arrive at rating.

Outlook: Stable

SMERA believes that the outlook on KMLPL's rated facilities will remain stable in the medium term owing to the experienced management and established association with reputed principals and customers. 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. Conversely, the outlook may be revised to Negative in case the company avails significant borrowings to meet working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), KMLPL reported PAT of Rs.0.76 crore on operating income of Rs.59.88 crore as against PAT of Rs.0.91 crore on operating income of Rs.64.69 crore for FY2015-16. The net worth stood at Rs.10.41 crore as on 31 March, 2017 (Provisional) against Rs.9.31 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Feb-2016	Cash Credit	Long Term	INR 9	SMERA BB+ / Stable
	Bank Guarantee	Short Term	INR 1	SMERA A4+
12-Dec-2014	Cash Credit	Long Term	INR 9	SMERA BBB- / Stable

	Bank Guarantee	Short term	INR 3	SMERA A3+
30-Aug-2013	Cash Credit	Long Term	INR 9	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 1	SMERA A3+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+

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ABOUT SMERA

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