

Paramount Surgimed Limited: Downgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	14.00	SMERA BB/Stable (Downgraded from BB+/Stable)
Term Loan	7.00	SMERA BB/Stable (Downgraded from BB+/Stable)
Foreign Bill Discounting	2.25	SMERA A4+ (Reaffirmed)
Letter of Credit	15.72	SMERA A4+ (Reaffirmed)
Packing Credit	3.00	SMERA A4+ (Reaffirmed)
Proposed Long Term	2.53	SMERA BB/Stable (Assigned)

SMERA has downgraded the long-term rating on the Rs.21.00 crore bank facility to **'SMERA BB' (read as SMERA double B)** from **'SMERA BB+' (read as SMERA double B plus)** and reaffirmed the short-term rating of **'SMERA A4+ (read as SMERA A four plus)'** on the Rs.20.97 crore bank facilities of Paramount Surgimed Limited (PSL). SMERA has also assigned a long term rating of **'SMERA BB' (read as SMERA double B)** on the Rs.2.53 crore bank facility. The outlook is **'Stable'**.

The rating downgrades takes into account the declining revenues and financial risk profile. SMERA also takes into account the highly competitive medical industry. However, the ratings continue to derive comfort from the company's long track of operations, experienced management and established marketing and distribution channels.

Update

The modest financial risk profile is marked by gearing of 1.85 times in FY2016 as compared to 1.98 times in FY2015. The interest coverage of the company decreased to 1.42 times in FY2016 from 1.57 times in the previous year. The DSCR stands low at 1.01 times in FY2016 as against 1.04 times in FY2015. The company has high GCA days at 385 in FY2016 as against 330 in FY2015. The operating income stands at Rs.56.78 crore in FY2016 as compared to Rs.59.93 crore in FY2015. Further, the company is exposed to intense market competition in the medical industry.

PSL was incorporated in 1993. The promoters, Mr. Shaily Grover, Mr. R.N. Grover and Mr. Manu Grover possess experience of over two decades in the medical industry. PSL has a wide distribution network. The company exports medical and healthcare products to 50 countries across the globe and has 80 distributors and 1400 dealers across India.

Outlook-Stable

SMERA believes PSL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while maintaining debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

Rating Sensitivity Factors

- Increasing scale of operations while improving profitability
- Improvement in debt service coverage ratios

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

PSL, incorporated in 1993, is engaged in the manufacturing and supplying of disposable and reusable medical products and devices, adult diapers and under pads. The company also holds a franchisee of OSIM International Limited for India and Nepal. The manufacturing facilities are located at Bhiwadi (Rajasthan) and Bawal (Haryana).

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.32 crore on operating income of Rs.56.78 crore as compared with PAT of Rs.0.59 crore on operating income of Rs.59.93 crore for FY2014-15. The net worth stands at Rs.23.05 crore as on March 31, 2016 as compared with Rs.20.26 crore a year earlier. The total net worth of Rs.23.05 crore in FY2015-16 includes quasi-equity of Rs.4.36 crore.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating/Ou tlook
			Long Term	Short Term	
05 August, 2015	Term Loan	2.20	SMERA BB+ (Reaffirmed)	-	Stable
	Cash Credit	18.00	SMERA BB+ (Reaffirmed)	-	Stable
	Packing Credit	3.00	-	SMERA A4+ (Reaffirmed)	-
	FDDBF	1.50	-	SMERA A4+ (Reaffirmed)	-
	Letter of Credit	19.8	-	SMERA A4+ (Reaffirmed)	-
15 April, 2014	Term Loan	2.20	SMERA BB+ (Assigned)	-	Stable
	Cash Credit	18.00	SMERA BB+ (Assigned)	-	Stable
	Packing Credit	3.00	-	SMERA A4+ (Assigned)	-
	FDDBF	1.50	-	SMERA A4+ (Assigned)	-
	Letter of Credit	19.80	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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