

July 22, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B-/Stable (Assigned)
Proposed Cash Credit	2.50	SMERA B-/Stable (Assigned)

SMERA has assigned rating of '**SMERA B-**' (read as SMERA single B minus) to the Rs.9.50 crore bank facilities of Kash Medicare Pvt. Ltd. (KMPL). The outlook is '**Stable**'. The rating is constrained by the company's high dependence on a single supplier amidst intense competition in the pharmaceutical industry. The rating is further constrained by the company's weak debt protection metrics. However, the rating is supported by the company's experienced management. The rating also draws comfort from the improvement in the company's operating profit margin.

KMPL, established in 2008, is a New Delhi-based consignee agent of Elder Pharmaceuticals Limited (EPL). KMPL is engaged in trading of ~350 generic drugs manufactured by EPL. KMPL faces intense competition from several players engaged in trading of generic drugs. The company is exposed to supplier concentration risk arising from total dependence on EPL for sourcing of generic drugs. KMPL's weak debt protection metrics are reflected in high leverage (debt-equity ratio) of 3.81 times (provisional) as on March 31, 2014 and moderate interest coverage ratio of 1.95 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31).

KMPL benefits from its experienced management. The directors of the company have around two decades of experience in the pharmaceutical industry. KMPL's operating profit margins increased from 2.13 per cent in FY2009-10 to 4.18 per cent (provisional) in FY2013-14.

Outlook: Stable

SMERA believes KMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and diversified product profile. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues and profitability while expanding operations across different drug segments. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's capital structure.

About the company

KMPL, established in 2008, is a New Delhi-based company promoted by Mr. Kapil Pruthi and Mr. Aridaman Kumar Jain. KMPL is a consignee agent of Elder Pharmaceuticals Limited. KMPL's marketing network comprises 28 distributors across India.

For FY2013-14 (as per provisional financial statements), KMPL reported profit after tax (PAT) of Rs.0.92 crore on operating income of Rs.64.78 crore, as compared with PAT of Rs.0.61 crore on operating income of Rs.51.89 crore for FY2012-13. The company's net worth stood at Rs.3.31 crore (provisional) as on March 31, 2014, as compared with Rs.2.38 crore a year earlier.

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