



## Press Release

### Medec Dragon Private Limited

March 13, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	30.00	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)	Downgraded from IVR A+ / Stable (A Plus with Stable outlook)	Simple
Long Term/ Short Term Bank Facilities	5.00	IVR BB+/Stable/IVR A4+ (IVR Double B Plus with Stable Outlook / IVR A Four Plus)	Downgraded from IVR A+/Stable/A1+ (A Plus with Stable outlook/ A One Plus)	Simple
Proposed Commercial Paper	-	Withdrawn	Downgraded from IVR A1+ (A One Plus) to IVR A4+ (A Four Plus) and Withdrawn	-
<b>Total</b>	<b>35.00 (INR Thirty Five Crore)</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics has downgraded its rating on the bank facilities of Medec Dragon Private Limited (MDPL) from IVR A+/Stable and IVR A1+ to IVR BB+/Stable and IVR A4+.

The revision in the ratings assigned to the bank facilities and proposed commercial paper of Medec Dragon Private Limited (MDPL) is on account of reassessment of the overall credit profile of the company following discrepancies found in the financial statements and subsequent clarifications provided by the management. Further the company's credit risk profile on standalone basis is weaker than envisaged earlier warranting the revision in rating. Based on information available from reliable sources and data received from the company, Infomerics has revised the analytical approach from standalone to consolidated. Further, the company has not issued commercial paper and based on the request received from the company, Infomerics has withdrawn the rating assigned to the Proposed Commercial Paper amounting to Rs.25 crore of the company. The rating is withdrawn in accordance with Infomerics' policy on withdrawal.



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### **Key Rating Sensitivities:**

#### **Upward factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Significant improvement in financial risk profile

#### **Downward factors**

- Decline in operating income and/or profitability on sustained basis
- Deterioration in the financial risk profile
- Elongation in the operating cycle impacting the liquidity

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Established presence**

Established presence in the pharma industry and steady demand will support the business.

- **Asset light model of operations**

MDPL follows asset-light model of operations and outsources its entire manufacturing to third parties. This enables the company to scale-up its operations without incurring significant capital expenditure and offers higher flexibility and lower overhead cost.

- **Satisfactory financial risk profile**

On a consolidated basis, MDPL's financial risk profile remains satisfactory marked by healthy networth of Rs. 122.98 crore and total outside liabilities to networth ratio of 1.18x, as on March 31, 2022. Debt protection metric as indicated by interest coverage ratio also stood comfortable at 24.45x in FY22. However, on a standalone basis, MDPL's financial risk profile remains weak due to its modest profitability and cash accruals.

#### **Key Rating Weaknesses**

- **Operations exposed to regulatory restrictions**

The operations remain exposed to regulatory restrictions in terms of pricing caps and product approvals in export destinations.

- **High receivables**

The debtor days remained high owing to the high credit period offered to the customers. It stood at 77 days as on March 31, 2022.



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### **Analytical Approach:** Consolidated

Infomerics has revised the analytical approach from erstwhile “Standalone” to “Consolidated” to get a holistic view on the business of MDPL. As on March 31, 2022, the company had four subsidiaries which are enlisted in Annexure 2 below.

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-financial Sector\)](#)

[Policy on Withdrawal of ratings](#)

[Criteria of assigning rating outlook](#)

### **Liquidity – Adequate**

MDPL’s liquidity position remains adequate, characterised by satisfactory cash accruals with no long-term debt repayment obligations.

### **About the Company**

Incorporated in December 2010, Medec Dragon Pvt Limited (erstwhile Miles Tradexim Pvt Ltd) was promoted by Late Mr. Chandulal Shah. The company is currently being managed by Mr. Deepak Shenoy. MDPL deals in pharmaceutical intermediates and bulk drugs.

### **Financials (Consolidated):**

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	434.14	539.01
EBITDA	23.62	36.62
PAT	16.68	26.13
Total Debt	0.00	26.56
Net worth	96.85	122.98
EBITDA Margin (%)	5.44	6.79
PAT Margin (%)	3.84	4.84
Overall Gearing Ratio (x)	0.00	0.22

*\*Classification as per Infomerics’ Standard*

### **Financials (Standalone):**

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	335.38	354.56
EBITDA	3.48	6.44



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For the year ended* / As On	31-03-2021	31-03-2022
PAT	1.44	3.57
Total Debt	0.00	26.56
Net worth	64.97	68.54
EBITDA Margin (%)	1.04	1.82
PAT Margin (%)	0.43	1.01
Overall Gearing Ratio (x)	0.00	0.39

\*Classification as per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)					Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating			Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21		Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long term	30.00	IVR BB+/Stable	IVR A+/Stable (Aug 4, 2022)	-	-	-	-	-	-
2.	Letter of credit*	Long Term/Short term	5.00	IVR BB+/Stable/IVR A4+	IVR A+/Stable/IVR A1+ (Aug 4, 2022)	-	-	-	-	-	-
3.	Commercial Paper (Proposed)	Short term	-	IVR A4+ and Withdrawn	IVR A1+ (Aug 4, 2022)	Withdrawn (July 11, 2022)	IVR A1+ (August 19, 2021)	Withdrawn (August 11, 2021)	IVR A1 (March 10, 2021)	-	-
4.	Issuer	Long term	-	-	Withdrawn (Nov 7,	-	IVR A+ [Is]/S	-	IVR A [Is]	IVR A- [Is]/St	-



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					2022)		table (Aug 19, 2021 )		/Sta ble (Jan 14, 202 1)	able (Aug 21, 2020)	

\* submit to CC

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy,



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hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	30.00	IVR BB+/Stable
Letter of credit*	-	-	-	5.00	IVR BB+/Stable/IVR A4+
Proposed commercial paper	-	-	-	-	IVR A4+ and Withdrawn

\* sublimit to CC

### Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
M. Trade FZE	Full
Medec Dragon Limited	Full
Medec Infra Private Limited	Full
Medec Dragon Global Ptel Limited	Full

### Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-MedecDragon-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).