



Press Release

Medec Dragon Private Limited

August 4, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	30.00	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Assigned	Simple
Long Term/ Short Term Bank Facilities	5.00	IVR A+/Stable/IVR A1+ (IVR Single A Plus with Stable Outlook/ IVR A One Plus)	Assigned	Simple
Proposed Commercial Paper	25.00	IVR A1+ (IVR A One Plus)	Assigned	Simple
Total	60.00 (INR Sixty Crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities and proposed commercial paper programme of Medec Dragon Private Limited (MDPL) derive strength from extensive experience of its management in pharma industry, consistent growth in scale of operations, comfortable capital structure with adequate debt protection metrics and asset light model of operations which enables the company to scale up operations without incurring significant capital expenditure. The ratings also positively note MDPL's association with renowned 'Clinton Initiative' part of the Bill Clinton Foundation for meeting supplies of anti-malarial drugs to emerging markets. However, the company is yet to receive order from the foundation. The first order is expected by October 2022 which will drive further revenue and growth in profitability. However, these rating strengths remain constrained due to its exposure to high customer concentration risk, high receivables and susceptibility of operations to regulatory restrictions.

Key Rating Sensitivities:

Upward factors



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- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Effective working capital management with improvement in operating cycle and liquidity

Downward factors

- Decline in operating income and/or profitability on sustained basis
- Deterioration in the capital structure with the overall gearing above 1x
- Elongation in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters and management team in the pharma industry**

The promoter, Dr Suresh Chhaberia, has experience of over three decades in pharmaceutical industry. He has worked with companies in UAE & Africa and his long presence in Pharma industry has helped in building strong supplier and customer network. However, due to health reasons he has stepped down from the position of Managing Director and is presently serving as an independent Director on the board of the company. The company is currently being managed by Mr. Deepak Shenoy who has extensive experience in the pharmaceutical space. Besides, he is ably supported by well experienced management team which enables the company to grow and penetrate newer markets globally.

- **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.

- **Comfortable financial risk profile**

MDPL's capital structure remains healthy given the low debt levels. Overall gearing and Total outside liability/ Net-worth remain comfortable at 0.23x and 1.21x respectively as on March 31, 2022

- **Consistent growth in scale of operations**

MDPL reported a CAGR of ~21% in total operating income during FY19-FY22. In FY22, company's total operating income increased by ~17% on a y-o-y basis to Rs. 509.75 crore.



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This growth is mainly driven by expansion of product portfolio with increased focus on local sales and direct export. Earlier, more concentration was on merchant trade with major share of revenues coming from Middle East Region. However, after the covid-19 pandemic, the company increased its focus more on local sales and direct export. Treatment of COVID-19 symptoms and other associated ailments resulted into increase in demand for its products. Its association with Bill Clinton foundation is also expected to drive further revenue and profitability growth.

Key Rating Weaknesses

- **Concentration risk**

The company is exposed to customer concentration risk with the top five customers accounting more than 72% of the total revenues.

- **Operations exposed to regulatory restrictions**

The operations remain exposed to regulatory restrictions in terms of pricing caps and product approvals in export destinations. With increasing focus on exports, timely product approval, in various semi-regulated markets, remains crucial for the growth of exports going forward.

- **High receivables**

The debtor days remained high owing to the high credit period offered to the customers. It stood at 90 days as on March 31, 2022 (94 days as on March 31, 2021). However, as on March 31, 2022, there were no receivables above 6 months.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

MDPL's liquidity position remains adequate, characterised by healthy 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 who has extensive experience in the pharmaceutical industry. The



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Company has 14 registered process patents for improved and non-infringing process for producing anti-cancer, pain killers, infective APIs. The company follows an asset light model of operations and outsource its entire manufacturing to third parties. All plants are USFDA WHOGMP approved. MDPL deals in pharmaceutical intermediates and bulk drugs. The Anti-cancer drugs cover the major portion of the company's revenue (~63%). The Company has ISO 9001:2015, ISO14001:2015, ISO OHSAS 18001:2015 from LMS Certifications Pvt Limited and WHO GMP and Certificate of Compliance (CE for Europe) from UK Certification and Inspection Limited and USFDA Registration with Registrar Corporation Virginia.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional (CA certified)
Total Operating Income	434.14	509.75
EBITDA	23.62	29.99
PAT	16.67	21.13
Total Debt	0.00	26.56
Net worth	96.86	117.98
EBITDA Margin (%)	5.44	5.88
PAT Margin (%)	3.84	4.14
Overall Gearing Ratio (x)	0.00	0.23

**Classification as per Infomerics' Standard*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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S r. N o.	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 A+/Stable	-	-	-	-	-	-
2.	Letter of credit*	Long Term/ Short term	5.00	IVR A+/Stable/IVR A1+	-	-	-	-	-	-
3.	Commercial Paper (Proposed)	Short term	25.00	IVR A1+	Withdrawn (July 11, 2022)	IVR A1+ (August 19, 2021)	Withdrawn (August 11, 2021)	IVR A1 (March 10, 2021)	-	-
4.	Issuer	Long term	-	-	-	IVR A+ [Is] (August 19, 2021)	-	IVR A [Is] /Stable (January 14, 2021)	IVR A- [Is]/Stable (August 21, 2020)	-

* one way interchangeability from LC 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

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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 A+/Stable
Letter of credit*	-	-	-	5.00	IVR A+/Stable/IVR A1+
Proposed commercial paper	-	-	-	25.00	IVR A1+

* one way interchangeability from LC to CC



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Medec-Dragon-aug22.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.

