Press Release

Del Trade International Private limited

March 01, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	3.00	IVR BBB/Stable [IVR Triple B with Stable Outlook]	Reaffirmed	Simple
Short Term Bank Facilities	9.00	IVR A3 [IVR A Three]	Reaffirmed	Simple
Short Term Bank Facilities	3.00	IVR A3 [IVR A Three]	Assigned	Simple
Long/Short Term Bank Facilities	88.50	IVR BBB/Stable; IVR A3 [IVR Triple B with Stable Outlook; IVR A Three]	Reaffirmed	Simple
Long/Short Term Bank Facilities	12.00	IVR BBB/Stable; IVR A3 [IVR Triple B with Stable Outlook; IVR A Three]	Assigned	Simple
Long Term Bank Facilities	3.00	IVR BBB/Stable [IVR Triple B with Stable Outlook]	Reaffirmed	Simple
Total	**115.50(enhanced from Rs. 100.50 crores)**	**[Rupees One Hundred and fifteen Crore and fifty lakh Only]**		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has reaffirmed the long-term rating of IVR BBB with a Stable outlook and short-term ratings of IVR A3 for the bank loan facilities of Del Trade International Private limited (DTIPL). IVR has also assigned rating of IVR BBB with stable outlook for the long term enhances facilities and IVR A3 for the short term enhanced bank facilities of DTIPL.

The rating continues to draw comfort from experienced management, established relationships with business partners and moderate financial risk profile. The ratings further take into account, the financial support from promoters in the form of unsecured loan subordinated to bank debt. However, these rating strengths are partially offset by a dip in operating income in FY2023 with moderation of profit margins. The ratings continue to remain constrained by exposure to regulatory risk and intense competition and exposure to forex risk as the majority of raw material is imported.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

IVR has principally relied on the audited financial results of the company up to March 31, 2023, and projected financials for FY2024-FY2026, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis.
- Improvement in debt protection metrics.

Downward Factors

- Deterioration in the capital structure and/or withdrawal of unsecured loans amounting to Rs.10.45 crore (outstanding as on March 31, 2023, treated as quasi equity) and/or moderation in the capital structure.
- Any adverse regulatory changes.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

DTIPL is led by a qualified and experienced management team with Mr. Ramesh Gupta who has served in a nationalized bank for over 17 years. Subsequently, he has worked with several companies in various capacities. Mr. Nitin Aggarwal is a graduate in Business Administration from De Montfort University, United Kingdom. He started his career in his family business of henna manufacturing before diversifying into the Iron & Steel trade.

Established relationship with business partners.

DTIPL is the main distributor of Sinopharm Weiqida Pharmaceutical Co. Ltd, China and Korea Aluminium Company Limited, South Korea in India. Further, the company has developed healthy relationship with customers like Saitech Medicare Private Limited, Medicef Pharma, JM Laboratories Limited among others.

Moderate financial risk profile

The capital structure of the company remained moderate as on the past three account closing dates. The overall gearing ratio and long-term debt equity ratio improved from 1.74x and 0.04x as on March 31, 2022, to 1.03x and 0.03x as on March 31, 2023, on account of decrease in total debt. Due to the same reason, total indebtedness of the company also improved reflected in TOL/TNW at 3.44x as on March 31,2023 as against 4.01 times as on March 31, 2022. Total debt to GCA improved from 4.01 years in FY22 to 3.44 years in FY23.

Financial support from Promoters

The promoters and related parties have been supporting the business through unsecured loans which stood at Rs.10.45 crore as on March 31, 2023 (treated as quasi equity as it is subordinated to bank debt with Citi Bank). Apart from this, the unsubordinated unsecured loans from promoters and related parties stood at Rs.8.94 crore as on March 31, 2023.

Key Rating Weaknesses

Dip in operating income with thin profitability margins

DTIPL registered a CAGR of 13% in total operating income over the four years through FY20 mainly driven by steady improvement in sale of active pharmaceutical ingredients. Further, the TOI decreased from Rs. 450.93 crore in FY22 to Rs. 414.91 crore in FY23, due to decline in sales volume of Potassium Clavulanate with Avicel / Syloid, Cefixime Trihydrate and Azithromycin. However, DTIPL achieved TOI of Rs. 424.00 crore in 10MFY24 as against Rs. 349.45 Crore in 10MFY23. EBITDA decreased from Rs. 15.31 crore in FY22 to Rs 9.45 crore in FY23. EBIDTA margin of DTIPL decreased by 112 bps from 3.40% in FY22 to 2.28% in FY23, due to decrease in margins on traded goods. Further, EBITDA improved from Rs. 7.00 crore in 9FY23 to Rs. 17.15 crore in 9MFY24. EBITDA Margin increased by 222 bps from 2.23% in 9MFY23 to 4.25% in 9MFY24. PAT decreased from Rs. 8.56 crore in FY22 to Rs 4.04 crore in FY23. PAT margin of DTIPL decreased by 93 bps from 1.89% in FY22 to 0.97% in FY23. The gross cash accruals witnessed a decline from Rs. 9.11 crore in FY22 to Rs.4.68 crore in FY23. PAT improved from Rs. 3.04 crore in 9FY23 to Rs. 7.75 crore in 9MFY24. PAT Margin increased by 104 bps from 0.97% in 9MFY23 to 2.01% in 9MFY24.

Exposure to regulatory risk and intense competition

DTIPL, like other players in the pharmaceutical industry, remains exposed to high degree of regulations prevalent in the industry. Changes in the legal and regulatory environment such as price control on drugs, quality checks, changes in import duty, excise duty exemptions, changes in taxes etc. The company is exposed to intense competition in the organized and unorganized pharmaceutical sector due to low product differentiation and large number of players.

Exposure to Forex risk

DTIPL is exposed to forex currency fluctuations as the company imports 60% of its APIs from China and packaging materials -Alu Alu foil from Korea and hedges by booking forward contracts of minimum 60-65% of the imports amount depending upon the economic conditions. The unhedged foreign currency exposure is Rs. 26.37 Crores as on 31st December'23. Profitability may get affected by volatility in forex rate.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Trading Companies
- Financial Ratios & Interpretation (Non-Financial Sector)
- Criteria for assigning rating outlook

Liquidity – Adequate

The company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has Current Ratio of 1.18x as of March 31, 2023. The Unencumbered cash and bank balance of company stood at Rs. 11.57 Crores as on 31st March 2023. The average utilisation of fund-based limits and non-fund-based limits stands moderate utilisation at 70.39% and 76.17% during the past 12 months ended December 2023. The operating cycle of the company increased from 58 days in FY22 to 65 days in FY23 due to an increase in collection period from 87 days in FY22 to 122 days in FY23. Liquidity is further supported by financial support from promoters in the form of unsecured loans.

About the Company

Del Trade International Private Limited (DTIPL) was incorporated in 2010 and commenced its operations from 2011. The company is engaged in import of active pharmaceuticals ingredients (API's) and distribution to domestic companies and coldformable pharmaceutical packaging materials -Alu Alu foil. DTIPL has headquarters in New Delhi. DTIPL is promoted by Mr Ramesh Gupta. Currently, the product profile of DTIPL includes around 40 types of API's – both domestic and imported and Alu Alu foil.

Financials (Standalone):

(Rs. Crore)

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	450.93	414.91
EBITDA	15.31	9.45
PAT	8.56	4.04
Total Debt	75.25	48.53
Tangible Net Worth(including quasi-equity)	43.17	47.22
Ratios		
EBITDA Margin (%)	3.40	2.28
PAT Margin (%)	1.89	0.97
Overall Gearing Ratio (x) (including quasi-equity)	1.74	1.03

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: Vide press release dated June 30, 2023, CARE Ratings have kept the ratings under non-cooperation category on account of nonsubmission of relevant information.

Vide press release dated May 02, 2023, ACUITE Ratings have kept the ratings under non-cooperation category on account of nonsubmission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 02, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Oct 12, 2021)	Date(s) & Rating(s) assigned in 2021-22 (July 01, 2020)
1.	Long Term Fund Based Facilities	LT	3.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable

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2.	Short Term Fund based Facilities	ST	12.00	IVR A3	IVR A3	IVR A3	IVR A3
3	Long term/short term Fund based facilities	LT/ST	100.50	IVR BBB/Stable; IVR A3	IVR BBB/Stable; IVR A3	IVR BBB/Stable; IVR A3	IVR BBB/Stable; IVR A3

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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	-	-	-	3.00	IVR BBB/Stable
Working Capital Limit	-	-	-	27.00	IVR BBB/Stable; IVR A3
Working Capital Facilities (Combined Limit)	-	-	-	38.50	IVR BBB/Stable; IVR A3
Usance Letter of Credit	-	-	-	35.00	IVR BBB/Stable; IVR A3
Letter of Credit	-	-	-	12.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: None.

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-DelTrade-mar24.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.