

Rating Rationale

Brickwork Ratings Revises ratings for the Bank Loan Facilities aggregating ₹ 45.69 Cr of Disposafe Health & Life Care Ltd.

Brickwork Ratings (BWR) has *upgraded* the following **Ratings¹** for the Bank Loan Facilities of Disposafe Health & Life Care Limited (**DHLL or the “Company”**):-

Facility	Previous Rating Amount	Rating Amount O/S (In Rs. Cr.)	Tenure	Previous Rating	Ratings Assigned
Fund Based					
Cash Credit Limit	7.50	7.50	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook : stable)	BWR BB+ (Pronounced BWR Double B Plus) (Outlook : stable)
Term Loan 1(INR/FCL)	14.75	11.23			
Term Loan 2(LC/CLBC/FLC)	4.65	4.48			
Term Loan 3	2.46	3.56			
Term Loan 4	3.75	3.42			
Proposed New Term Loans					
Term Loan 5	-	4.30			
Term Loan 6	-	3.20			
Non Fund Based					
ILC/FLC(Upto 90 Days)/CLBC	3.00	7.50	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4+ (Pronounced BWR A Four Plus)
Bank Guarantee	0.50	0.50			
Total	36.61	45.69	INR Forty Five Crores and Sixty Nine Lakhs Only.		

Note: The firm has also availed Forward Contract Limit of Rs.0.20 Crores

BWR has essentially relied upon the audited financial results of Disposafe Health & Life Care Ltd. up to FY15 and projected financials for FY16 and FY17, publicly available information and information provided by the management.

The rating has, inter alia, factored in the Company’s increase in scale and profitability margins, improvement in debt protection metrics, better liquidity position over the last year, improved return on capital employed and improved conversion cycle. The rating is, however, constrained by currency fluctuation risks owing to un-hedged exports, high leverage and competition from other well established players in the market.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background:

Disposafe Health & Life Care Ltd. was incorporated in 2007 and commenced its operations in July 2013. The Company is engaged in the manufacture of medical disposable products such as I.V. Cannulas, I.V. Sets, Syringes and Three-way Stopcocks. Its manufacturing facilities are located at Sector-59, Faridabad (Haryana). The Company is in the process of introducing a new range of products for which it has requested for additional term loans of Rs. 7.5 Crores from its lenders. The key promoters & management of the Company comprise Mr. Naresh D. Chandani and Mrs. Drishti N. Chandani. For domestic sales, the Company targets the merchandise exporters and for the overseas market, the Company participates in various overseas trade fairs and gets the orders accordingly.

The Company also has an associate concern called “The Rocks India” which is engaged in trading of multiple products such as utensils, engineering products, household items, liquor, medical disposable items etc. The other associate concerns are W.G. Steel & Casting Pvt. Ltd., Sandesh Properties Pvt. Ltd. and Divine Surgical Pvt. Ltd.

Management Profile:

The Company has been promoted by Mr. Naresh D. Chandani and Mrs. Drishti N. Chandani. Mr. Naresh D. Chandani is the Managing Director of the Company and has over 10 years’ experience in the health care/medical devices industry.

Mrs. Drishti N. Chandani is a director of the company since its inception. She holds the position of Director (Finance) and has over 12 years of experience in financial management.

Financial Performance:

DHLL's gross revenue from operations increased from Rs. 19.46 Crores in FY14 to Rs. 39.41 crores in FY15. Net Profit Margin for the company stood at 2.19% in FY15 against (-)4.45% in FY14, as the company breached breakeven point. Tangible Net worth of the company was Rs. 13 Crores. The firm has also managed to reduce the working capital conversion cycle to 14 days in FY15 from 37 days in FY14 on account of increase in days’ payable. Debt protection metrics improved over the last year as ISCR and DSCR stood at 1.85 times and 1.22 times respectively in FY15, against 1.44 times and 0.68 times in FY14. After marginal improvement, Current Ratio stood at 1.19 times in FY15, against 0.97 times in FY14.

Rating Outlook:

The rating outlook is expected to be stable over the current year.

Going forward scaling up of business, meeting projections, getting market acceptance for new products, generating cash flows as expected would be the key rating sensitivities.

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