

OCTOBER 20, 2015

CARE ASSIGNS 'CARE A-' RATING TO THE LONG TERM BANK FACILITIES OF MERIL LIFE SCIENCES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	20.00	CARE A- [Single A Minus]	Assigned
Total Facilities	20.00 (Rupees Twenty Crore Only)		

Rating Rationale

The rating assigned to the bank facilities of Meril Life Sciences Private Limited (Meril Life) takes into account its resourceful and experienced promoters (i.e. Bilakhia Group) along with Meril Life's established brand presence in the domestic coronary stents market and growing export penetration. The rating also factors volume led growth in Meril Life's total operating income along with its moderate profitability, leverage and debt coverage indicators.

The rating is, however, constrained due to its working capital intensive operations as most of the key raw materials required are imported and it has to maintain high level of finished goods inventory due to wide iteration/variety of product portfolio. The rating is further constrained on account of its exposure to foreign exchange fluctuation risk (Meril Life being a net importer) and stiff competition from large and established global players.

Meril Life's ability to further increase its scale of operations in both domestic as well as export markets along with improvement in its profitability and capital structure while ensuring efficient management of its working capital would be the key rating sensitivities. Further, continued support from its ultimate holding company, Bilakhia Holdings Private Limited (BHPL) would also remain critical.

Background

Incorporated in June 2007, Meril Life is promoted by Bilakhia Group (based out of Vapi, Gujarat), who are the erstwhile promoters of Micro Inks Limited (now known as Huber Group India Private Limited; rated 'CARE AAA', 'CARE A1+') and Bilag Industries Private Limited (now known as Bayer Vapi Private Limited). Meril Life is a wholly owned subsidiary of Micro Life Sciences Private Limited (MLS), which, in turn is a wholly owned subsidiary of BHPL – the ultimate holding company of the Bilakhia Group.

Meril Life is engaged in the manufacturing of coronary stents and balloon catheters which are used for carrying out angioplasty on patients suffering from Coronary Artery Disease – a cardiovascular ailment which may lead to a heart attack. Meril Life's products are CE marked (mainly required for product to be sold in European Union) and approved by ANVISA (drug regulatory authority of Brazil) and Drug Controller General of India.

During FY15, on a consolidated level, Meril Life earned 54% of its total operating income from exports (FY14: 52%). In the domestic market, Meril Life sells its products through its wholly owned subsidiary Meril India. Meril Life has also set up marketing subsidiaries in countries like Germany, Turkey and Brazil.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

On a consolidated level, Meril Life reported a total operating income of Rs.264.44 crore with a PAT of Rs.16.46 crore in FY15 as compared to a total operating income of Rs.221.83 crore with a PAT of Rs.14.00 crore in FY14.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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