

## Medical Products Service

June 15, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.98 (Reduced from 12.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	41.02 (Enhanced from 38.00)	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus)	Reaffirmed
<b>Total Bank Facilities</b>	<b>50.00</b> <b>(₹ Fifty Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Medical Products Service (MPS) is primarily constrained on account of modest scale of operations, moderate capital structure, and elongated collection period. The rating further remains constrained on account of constitution of the entity being a partnership firm and Presence in a competitive nature of industry. The rating, however, continue to derive strength from experienced promoters coupled with long track record of operations, moderate profitability margins and coverage indicators.

#### Rating Sensitivities

##### Positive Factors - Factors that could lead to positive rating action

- Increase in the total operating income (TOI) of the company above Rs.300 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margins of below 14% and 9% respectively on a sustained basis.

##### Negative Factors- Factors that could lead to negative rating action

- Any incremental borrowing leading to deterioration in capital structure as marked by overall gearing of above 1.50x on a sustained basis.
- Deterioration in profitability margins as marked by PBILDT and PAT margins of below 4% and 2% respectively on a sustained basis.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Modest Scale of operations

The scale of operations of the firm continues to remain modest though improved notably from Rs. 117.69 crore in FY 21 (Audited) to Rs. 175.37 crore in FY 22 (Provisional). The improvement in scale of operations is on account of higher tender executed coupled with higher demand of medical equipments led by increased focus of the government over health care sector during pandemic). The modest scale limits the firm's financial flexibility in times of stress and deprives it from scale benefits. The firm's TOI grew with a CAGR of 26.55% during FY18-21 owing to higher number of orders executed.

##### Moderate capital structure

As on March 31, 2021, the debt profile of the firm comprises of rupee term loan of Rs. 9.55 crore as against network of Rs.27.32 crore. The capital structure of the firm stood moderate as marked by overall gearing ratio of 0.35x as on March 31, 2021 Unsecured loans are subordinated to debt as per sanction letter, thus unsecured loans amounting to Rs.3.86 crore, Rs. 3.45 crore and Rs.3.45 crore respectively in FY19, FY20 and FY21 have been added to the network. Further, in March 2022 partners of the firm have infused capital of Rs. 3.00 crore (CA certified).

##### Constitution of the entity being a partnership firm

The constitution of MPS is partnership firm which has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowing, as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

##### Elongated collection period

Operations of the firm are working capital intensive marked by gross current assets of around 310 days in FY21 which was primarily on account of elongated collection period. The high working capital requirements were met largely through payable period which stood at around 289 days. The elongated collection period is due to the projects undertaken by the firm which are quite technical in nature. The firm works exclusively for government departments wherein there is a specific payment mechanism of pro-rata basis payment system. The firm receives certain portion of payment against material delivery at site, certain payment at time of installation and balance on the completion of the project. The work undertaken is also subject to inspection by government departments at regular intervals resulting in average collection period of 171 days in FY21. The firm

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

enjoys credit period of 289 days in FY21 owing to long standing relationship with its suppliers. Moreover, the creditors remain on a higher side as the firm purchases the required stock of goods at the time of order booking itself, however, the sales realisation happens only after the completion of order, subject to inspection by the government departments. The firm meets its working capital requirements through its sanctioned working capital limits. The working capital limits remained utilized at around less than 60% for the past 12 months, period ending April, 2022.

### Presence in a competitive nature of industry

MPS operates in a highly competitive industry marked by the presence of a large number of players in the unorganized sector. The industry is characterized by low entry barriers due to low technological inputs and easy availability of products. This further leads to high competition among the various small and regional players catering to the same market. Furthermore, presence of various players in this industry, limits bargaining power of the firm which exerts pressure on its margins.

### Key Rating Strengths

**Experienced management coupled with long track record of operations:** The overall operations of the firm are currently managed by Mr. Surinder Saini, Mr. Pradeep Saini and Mr. Virender Saini. Mr. Surinder Saini has a vast experience of around four decades in the trading of medical equipment industry through his association with this entity and other family business. Mr. Pradeep Saini and Mr. Virender Saini have an average experience of more than two decades in trading of medical equipment through their association with MPS and other family run business which is engaged in the same line of

### Moderate profitability margins and coverage indicators

The profitability margins of MPS have improved notably as marked by PBILDT and PAT margins of 11.90% and 7.72% respectively in FY22 (Provisional) as against 8.70% and 6.78% respectively in FY21 (Audited). The improvement in margins was on account of decrease in cost of goods to be traded. Further, the PAT margin improved in line with PBILDT margin.

Owing to moderate profitability levels, the debt coverage indicators of the firm stood moderate though improved as marked by interest coverage ratio and total debt to GCA of 6.42x and 1.10x respectively for FY21 as against 5.61x and 1.05x respectively for FY20. During FY22 the interest coverage further improve and stood at 20.62x.

### Liquidity: Adequate

The liquidity position of the firm is adequate as marked by sufficient cushion in gross cash accruals vis-a vis repayments. The firm is expected has generated Gross cash accruals of Rs.14.09 crore in FY22 and is expected to envisage Gross cash accruals of Rs.14.30 crore for FY23 vis-à-vis repayment obligations of Rs.1.25 crore in same year. The average utilization of working capital limits of the firm, from all the banks stood at ~60% for the last 12 months ending on May 30, 2022. The firm also has comfortable unencumbered cash & bank balances of Rs. 14.31 crore as on March 31, 2021 (Audited).

**Analytical approach:** Standalone

### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

[Wholesale Trading](#)

### About the Company

Delhi based, Medical Product Services (MPS) was established in 1998 as a proprietorship firm and is currently being managed by Mr. Surinder Saini, Mr. Pradeep Saini and Mr. Virender Saini. MPS is primarily engaged in trading and installation of Medical Gas Pipeline Systems (MGPS) and Modular Operation Theater (MOT), and supply of various medical equipment like operation theater lights, control panels, valves alarms etc. The firm executes contracts for various government and private medical institutions located all over India. MPS procures its traded products from medical equipment manufacturers and traders located in Delhi – National Capital Region (NCR). Moreover, products like operation theatre lights, bed head panel, medical supply unit, gas outlet, and machinery for operation theatre are also imported from Italy, USA and Germany owing to better quality. MPS gets contracts through tendering and bidding process from government organizations and through direct marketing channels from private organizations.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (Prov.)
Total operating income	101.76	117.69	175.37
PBILDT	9.19	10.24	20.91
PAT	6.95	7.97	13.56
Overall gearing (times)	0.35	0.35	NA
Interest coverage (times)	5.61	6.42	20.62

A: Audited; NA: Not Available; Prov.: Provisional

\*refers to the period from April 1, 2021 to March 31, 2022.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure- 4

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	8.98	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	33.90	CARE BB+; Stable /CARE A4+
Fund-based/Non-fund-based-LT/ST		-	-	-	7.12	CARE BB+; Stable /CARE A4+

Letter of Credit/Bank Guarantee is a sub limit of Overdraft facility to the tune of Rs. 4.98 crore.

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	8.98	CARE BB+; Stable	1)CARE BB+; Stable (09-Jun-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (16-Mar-22) 2)CARE BB+; Stable (06-Apr-21)	-	1)CARE BB; Stable (04-Mar-20) 2)CARE BB-; Stable (03-Apr-19)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	33.90	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (09-Jun-22)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (16-Mar-22) 2)CARE BB+; Stable / CARE A4+ (06-Apr-21)	-	1)CARE BB; Stable / CARE A4 (04-Mar-20) 2)CARE BB-; Stable / CARE A4 (03-Apr-19)
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	7.12	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (09-Jun-22)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (16-Mar-22) 2)CARE BB+; Stable / CARE A4+ (06-Apr-21)	-	1)CARE BB; Stable / CARE A4 (04-Mar-20) 2)CARE BB-; Stable / CARE A4 (03-Apr-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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