Press Release

Del Trade International Private Limited

July 01, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	15.00	IVR BBB- / Positive Outlook (IVR Triple B Minus with Positive Outlook)	Reaffirmed with Revised Outlook
2.	Short Term Bank Facilities	33.50	IVR A3 (IVR A Three)	Reaffirmed
3.	Proposed Limit	1.50	IVR A3 (IVR A Three)	Assigned
	Total	**50.00**		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Del Trade International Private Limited (DTIPL) draws comfort from its successful track record under experienced promoters, sustained growth in scale of operations with established relationship with business partners. The ratings also positively consider healthy debt protection metrics and financial support from promoters. However, these rating strengths are partially offset by average capital structure, intense competition prevalent in industry and exposure to forex risk. The rating also consider the exposure to regulatory risk.

Key Rating Sensitivities:

Upward Factor:

- Substantial and sustained growth in operating income and profitability
- Improvement in the capital structure and debt protection metrics

Downward factor:

- Moderation in operating income and/or cash accrual or deterioration in operating margin,
- Deterioration in the capital structure and/or withdrawal of unsecured loans amounting to Rs.8.45 crore (outstanding as on March 31, 2020 treated as quasi equity) and/or moderation in the capital structure.
- Elongation in working capital cycle leading to deterioration in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

DTIPL is led by a well qualified and experienced management team. Mr. Ramesh Gupta has served in a Nationalized Bank for 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 in to the Iron & Steel trade. The Company is likely to benefit from the diverse business experience of its management.

Sustained growth in scale of operations

The total operating income of the company has witnessed an increasing trend with a CAGR of ~11% during FY17-FY19 and stood at Rs.235.12 crore in FY19 as compared to Rs.172.28 crore in FY17. The growth in the revenue was mainly driven by steady improvement in active pharmaceutical ingredients (revenue from API improved from ~Rs.156 crore in FY17 to ~Rs.224.40 crore in FY19). The growth in the API was mainly backed by increase in volumes and partly by increase in realizations. On the other hand, pharmaceutical's packing materials sales witnessed a marginal drop from ~Rs.14.22 crore in FY17 to ~Rs.9.25 crore in FY19. The company gradually diversified its product portfolio in its both segments. Till March 31, 2020, the company has achieved a revenue of ~Rs.288 crore.

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. Top ten customers of DTIPL contribute to 34.82% of sales in FY20 (prov) reflecting customer diversification.

Healthy debt protection metrics

The debt protection metrics of the company remained comfortable over the years. The gross cash accruals of the company witnessed a steady improvement from Rs.2.38 crore in FY17 to Rs.3.12 crore in FY19 in the absence of long term debt and it's repayment. The interest coverage remained moderate at 2.73x in FY19. Total debt to GCA improved from 4.20 years in FY18 to 2.85 years in FY19 driven by decrease in utilisation of bank borrowing and absence of long term debt repayment.

Financial support from Promoters

The promoters and related parties have been supporting the business through infusion of unsecured loans which stood at Rs.8.45crore as on March 31, 2018 (treated as quasi equity as it is subordinated to bank debt). The promoters has Rs 3.25 crore infused unsecured loans on short term basis in FY19 to meet working capital requirements.

Key Rating Weaknesses

Average capital structure

The capital structure of the company remained comfortable in the past three financial years. The overall gearing ratio stood at 0.39x as on March 31,2019 with a modest net worth of Rs.14.34 crore and absence of long term debt .The overall gearing ratio deteriorated yet remained comfortable at 0.66x in March 31,2020(Prov), due to higher utilisation of bank borrowing .The company's total debt comprises of bank borrowing of Rs.8.89 crore in FY19. However, Total indebtedness of the company as reflected by TOL/TNW improved marginally yet remained high at 4.98x FY19 from 5.96x in FY18 due to improvement in net worth driven by higher accretion of profits and lower utilisation of bank borrowing.

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 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 64% of it's API's 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. 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)

Liquidity – Adequate

DTIPL liquidity position is expected to remain adequate over the medium term marked by its healthy gross accrual of Rs 5.00 to 6.60 crore during FY21-22 against absence of any long term debt obligations. Further, the average utilisation of its fund based working capital limit remains low at ~39% during the past 12 months ended May, 2020 indicating an adequate liquidity buffer. 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 cold-formable pharmaceutical packaging materials -Alu Alu foil. DTIPL has headquarters in New Delhi and 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	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	191.13	235.12
EBITDA	6.92	6.76
PAT	2.90	2.98
Total Debt	12.85	8.89
Tangible Net worth	11.31	14.34
EBITDA Margin (%)	3.62	2.87
PAT Margin (%)	1.52	1.27
Overall Gearing Ratio (x)	0.65	0.39

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**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Issuer not cooperating by CARE vide press release dated March 28, 2020 due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Limits – Cash Credit	Long Term	15.00	IVR BBB-/ Positive outlook	IVR BBB-/ Stable outlook(May 13,2019)	-	-
2.	Short Term Non Fund Based Limits – Letter of Credit	Short Term	33.50	IVR A3	IVR A3 (May 13,2019)	-	-
3.	Proposed Limit	Short Term	1.50	IVR A3	-		

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.

Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly

Tel: (011) 24611910

Email: sjetly@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long Term Bank Facility-Cash Credit	-	-	-	6.00 $	IVR BBB- /Positive Outlook
Long Term Bank Facility-Cash Credit			-	6.00*	IVR BBB- /Positive Outlook
Long Term Bank Facility-Cash Credit				3.00#	IVR BBB- /Positive Outlook
Short Term Bank Facilities – Letter of Credit			Usance of 120 day	18.50 $$	IVR A3
Short Term Bank Facilities – Letter of Credit			Usance of 180 day	6.00**	IVR A3
Short Term Bank Facilities – Letter of Credit			Usance of 180 day	9.00##	IVR A3
Proposed Short Term Limit				1.50	IVR A3

$ Facility includes sublimit of OD- Rs.6crore

$$ Includes sublimit of Import Line-Rs.18.5crore; Import deferred payment credit-Rs.18.5crore; Clean Import Loan-Rs.18.5crore; Loan against import, Domestic Purchase-Rs.10.0crore and Counter Guarantee Rs16.0 crore

Includes sublimit of WCL-Rs.3crore; EPC/PCFC-Rs.2crore; PSFC-Rs.2crore; Bill discounting-Rs.2crore Further CC facility is interchangeable with LC

##facility includes sublimit of BG-Rs.2crore

*Facility includes sublimit of WCDL- Rs.6crore. Cumulative utilization across CC/WCDL to be restricted to Rs.6crore Further CC facility is interchangeable with LC

** Facility includes sublimit of BG-Rs.1.5crore; Buyer’s credit- Rs.6crore; Pre/Post shipment finance- Rs.3crore; Bill discounting-Rs.3crore