



Press Release

Nayati Medical Private Limited

(Formerly known as Nayati Pharma Private Limited)

July 16, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Rating	Rating Action
Long Term Fund Based Bank Facilities	10.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Total	10.00 (Ten crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating to the bank facilities of Nayati Medical Private Limited (NMPL) derives comfort from experienced management, locational advantage and significant growth in scale of operations. These rating strengths are partially offset by leveraged capital structure, client concentration risk and working capital intensive nature of operation.

- Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.



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- Significant improvement in capital structure
 - **Downward Factors**
- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action,
- Further deterioration in capital structure
- Variation of more than 5% in key financial figures of audited financial statements from reported figures of provisional financial statements could trigger the negative rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

NMPL's management rests in the hands of Ms. Karuna Menon and Mr. Satish Kumar Narula. Ms. Karuna Menon has over 30 years of experience spanning diverse sectors such as banking, hospitality, aviation, and communications wherein she has worked with the likes of the Tata & Reliance Group, Bill & Melinda Gates foundation amongst several others. Mr S.K. Narula, a former Chairman of the Airports Authority of India and a former Executive Director in Power Grid Corporation of India has an administrative experience of over 40 years in the field of Power, Infrastructure and Aviation sectors.

Locational Advantage

NMPL was established with the objective to serve the pharmaceutical and other medical allied product needs of the hospital setup under NHRPL and other local hospitals based out of Mathura city and nearby area. NHRPL have set base in Mathura, which lacks robust supply chains and world class super speciality healthcare amenities. As discussed with the management, NHPL's hospital is a one-off state-of-the-art facility in the entire western Uttar Pradesh, indicating potential business growth for the entity.

Significant growth in scale of operations

NMPL has commenced its operations in Feb,2016 and since then recorded a healthy growth over last few years. NMPL has reported the total income of Rs. 21.51 crore for the first full year of



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operations in FY17. Further, recorded a healthy CAGR of 41% over past four fiscals with the total operating income at Rs. 85.43 crore for FY20.

Key Weaknesses

Leveraged capital structure

The capital structure of the company comprised of only working capital limits and unsecured loans infused by promoters and relatives. Unsecured loans are not subordinated to bank facilities, same has been treated as neither debt nor equity. Overall gearing for the company stood at 2.45x as on March 31, 2020. Total indebtedness of the company reflected in TOL/ANW stood at 2.60x as on March 31, 2020 reflects leveraged capital structure of the company.

Client Concentration Risk

NMPL is currently catering to the medical needs of Nayati group mainly to hospital run under Nayati Healthcare and Research Private Limited leading to concentrated source of revenue and hence exposed to client concentration risk. However, growth achieved in last 3 years impart comforts towards the operational performance of the hospital.

Working Capital Intensive Nature of Operation

NMPL has working capital intensive nature of operations marked by high inventory requirements due to large spectrum of pharmaceutical products and other medical allied products for which company has to maintain considerable stocks. Working capital utilization for the last 12 months ended at May ,2020 stood at 92% indicating limited buffer to support the incremental requirements.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Company

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

The liquidity position of the company is adequate marked by the presence of only working capital limits and adequate profitability metrics to meet the interest payments obligations. Further, current ratio of the company stood at 1.35x as on March 31, 2019 imparting comfort for meeting its near-term liabilities.

About the Company

Nayati Medical Private Limited (NMPL) earlier known as Nayati Pharma Private Limited was incorporated in year 2016. NMPL is associated with Nayati Healthcare group having presence in pharmaceutical business and hospital facility. NMPL is engaged in trading of pharmaceutical products such as antibiotic drugs, medicines, surgical instruments, cosmetics, hospital requisites, other medical allied products. NMPL is promoted by Mr. Satish Kumar Narula, and Ms. Karuna Menon. NMPL caters to the demand of the pharmaceuticals products of the hospital run by Nayati Healthcare & Research Pvt. Ltd. (IVR BBB/stable as on May 06, 2019).

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	92.86	85.43
EBITDA	2.71	2.58
PAT	0.81	0.89
Total Debt	6.25	9.97
Tangible Net worth	3.10	4.07
EBITDA Margin (%)	2.92	3.02
PAT Margin (%)	0.87	1.04
Overall Gearing Ratio (x)	2.02	2.45

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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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.	Cash credit	Long Term	10.00	IVR BBB- / Stable	IVR BBB- / Stable (February 09, 2018)	-	IVR BBB- / Stable (April 17, 2019)

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.

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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 Facilities- Cash Credit	-	-	-	10.00	IVR BBB- / Stable