

Benson Medical Equipments Private Limited

Instrument	Amount	Rating Action As on November 2016
Fund-Based Limits	In Rs. Crore	
Cash Credit	1.50	[ICRA]BB- (Stable); revised from [ICRA] BB(Stable)
Non-Fund Based Limits	In Rs. Crore	
BG/LC	8.00	[ICRA] A4; reaffirmed
Forward Contract	0.10	[ICRA] A4; reaffirmed
Unallocated	0.40	[ICRA] BB- (Stable)/ [ICRA] A4;assigned/outstanding
Total	10.00	

ICRA has revised its long term rating on the bank facilities of Benson Medical Equipments Private Limited (BMEPL) to [ICRA]BB- (pronounced ICRA double B minus) from [ICRA]BB (pronounced ICRA double B). ICRA has reaffirmed its short-term rating on the bank facilities of BMEPL at [ICRA]A4 (pronounced ICRA A four). The outlook on the rating is 'Stable'.

The rating revision is driven by the year-on-year decline of 18% in BMEPL's operating income in FY2016, due to reduced order flow. This, combined with an increased proportion of trading income has resulted in erosion in operating profit margins by about 250 basis points. The company's working capital intensity has also registered deterioration due to a build up of receivables. The ratings also factor in the company's modest scale of operations in a highly competitive and fragmented industry, volatile profitability trends and vulnerability of its profitability to adverse fluctuations in exchange rates, given the company's high reliance on imports. The ratings also take cognizance of the vulnerability of the company's profitability to raw material price fluctuations as most of contracts are fixed price in nature.

However, the ratings favorably take into account the company's strong order book position as on date; however the execution pace of the order remains a concern. The ratings also take into account the extensive experience of BMEPL's promoters and their relationships with suppliers of key medical equipments. The ratings also factor in the company's track record in the medical gas equipment pipeline installation segment and the strong demand for medical equipment in India. ICRA also takes note of the company's comfortable capital structure and adequate coverage indicators.

Going forward, the ability of the company to increase its scale of operations in a profitable manner, while maintaining optimal working capital intensity will be the key rating sensitivities.

About the company

BMEPL was set up in 1996 as a private limited company. It is in the business of supplying, installing, testing and commissioning gas pipelines in hospitals, modular operation theatres and hospital furniture. The company mainly undertakes contracts from government hospitals by bidding through tenders.

Recent Results

BMEPL reported a net profit of Rs. 0.39 crore on an operating income of Rs. 10.93 crore in FY2015, as against a net profit of Rs. 0.42 crore on an operating income of Rs. 10.19 crore in FY2014. The company, on a provisional basis, reported an operating income of Rs 8.98 crore in FY2016.

November 2016



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