

July 24, 2015

| Facilities | Amount (Rs. Crore) | Rating |
|----------------|--------------------|-----------------------------|
| Term Loan | 3.51 | SMERA BB+/Stable (Assigned) |
| Cash Credit | 2.25 | SMERA BB+/Stable (Assigned) |
| Packing Credit | 0.70 | SMERA BB+/Stable (Assigned) |

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the above mentioned bank facilities of JPN Pharma Private Limited (JPPL). The outlook is '**Stable**'. The rating draws comfort from the promoter's extensive industry experience, healthy debt-protection metrics and moderate business risk profile. However, the rating is constrained by the company's modest scale of operations and susceptibility of the profit margins to volatility in prices of silver to manufacture silver sulphadiazine, one of its prime products.

JPPL is promoted by Mr. Mukand Popatlal Shah and Mr. Jayesh Popatlal Shah to manufacture active pharma ingredients (API) and intermediates. The promoters have a collective experience of around 25 years in the company's line of business. JPPL benefits from healthy debt-protection metrics as its debt-to-capital ratio stood at 0.89 times in FY2013-14 as against 0.93 times in FY2012-13. Also, the company has moderate business risk profile marked by RoCE which stood at 22.65 per cent for FY2013-14 as against 30.88 per cent in FY2012-13 (refers to financial year, April 01 to March 31).

However, the company has modest-scale of operations with operating income of Rs.46.90 crore in FY2013-14 as against Rs.43.25 crore in FY2012-13. Besides, the major raw material used – silver is prone to high volatility in prices affecting the profitability. The PAT margin declined to 2.97 per cent in FY2013-14 from 3.78 per cent in FY2012-13.

Outlook: Stable

SMERA believes the outlook on JPPL will remain '**Stable**' over the medium term on account of experience of the management and healthy debt-protection metrics. The outlook may be revised to '**Positive**' in case of further improvement in the company's scale of operations, while maintaining profitability. Conversely, the outlook may be revised to '**Negative**' in case of deterioration in JPPL's financial profile.

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**About the Company**

Set up as a proprietorship firm in 1991, JPPL was converted to a private limited company in 2004 and manufactures active pharma ingredients (API) and intermediates. One such ingredient is silver sulphadiazine, used as a major raw material in certain pharma products. JPPL sells silver sulphadiazine locally and also exports it to Latin America and Europe. The company has its registered office at Kandivli, Mumbai and factory at Tarapur, Boisar.

The promoters, Mr. Mukand Popatlal Shah and Mr. Jayesh Popatlal Shah have around 25 years of experience in the company's line of business. The company registered profit after tax (PAT) of Rs.1.39 crore on revenue of Rs.46.90 crore for FY2013-14, as compared with PAT of Rs.1.64 crore on revenue of Rs.43.25 crore in FY2012-13. The company's net worth stood at Rs.06.22 crore as on March 31, 2014, as compared with Rs.05.20 crore a year earlier.

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