

JPN Pharma Private Limited: Downgraded

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	2.25	SMERA BB/Stable (Downgraded from BB+/Stable)
Term Loan	3.51	SMERA BB/Stable (Downgraded from BB+/Stable)
Packing Credit	0.70	SMERA BB/Stable (Downgraded from BB+/Stable)

SMERA has downgraded the rating on the abovementioned bank facilities of JPN Pharma Private Limited (JPPL) to '**SMERA BB**' (read as **SMERA double B**) from '**SMERA BB+**' (read as SMERA double B plus). The outlook is '**Stable**'. The downgrade is due to continuous decline in revenues and profitability of the company.

The rating continues to draw comfort from the moderate financial risk profile, experienced management, efficient working capital management and reputed clientele. However, the rating is constrained by the modest scale of operations and susceptibility of margins to volatility in prices of silver.

Update

JPPL's revenue declined to Rs.37.82 crore in FY2015-16 from Rs.41.31 crore in FY2014-15. The revenue was Rs.46.90 crore in FY2013-14. This was on account of decline in price and demand for the company's major product 'Silver Sulfadiazine'. JPPL has achieved revenue of Rs.18.00 crore in HY2016-17. The operating margin has marginally dipped to 9.01 percent in FY2015-16 from 9.16 percent in FY2014-15 and 9.20 percent in FY2013-14. The net profit margin fell to 2.24 percent in FY2015-16 from 2.38 per cent in FY2014-15.

JPPL's gearing (debt-equity) has been moderate at 0.91 times as on March 31, 2016 as compared to 1.05 times as on March 31, 2015. The interest coverage of the company improved to 3.20 times in FY2015-16 as compared to 2.96 times in FY2014-15.

JPPL operates on efficient working capital cycle of 44 days for FY2016. Further the average six months utilisation ended October 2016 stands at 87 percent.

Rating Sensitivity Factors

- Sustained improvement in scale of operation and profitability
- Movement in gearing and coverage indicators

Outlook-Stable

SMERA believes that the outlook on JPPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability. The outlook may be revised to 'Negative' in case of lower-than-expected revenues and profit margins, or deterioration in the capital structure.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

JPPL, a proprietorship concern established in 1991 was converted to Private Limited Company in 2004 by promoter directors, Mr. Mukand Popatlal Shah and Mr. Jayesh Popatlal Shah. The company is engaged in the manufacture of Active Pharma Ingredients (API) and intermediates.

For FY2015–16, JPPL reported profit after tax (PAT) of Rs.0.85 crore on operating income of Rs.37.82 crore, as compared with PAT of Rs.0.98 crore on operating income of Rs.41.31 crore for FY2014–15. The net worth stood at Rs.9.65 crore as on March 31, 2016, as compared with Rs.7.65 crore a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
24 July, 2015	Term Loan	3.51	SMERA BB+ (Assigned)	-	Stable
	Cash Credit	2.25	SMERA BB+ (Assigned)	-	Stable
	Packing Credit	0.70	SMERA BB+ (Assigned)	-	Stable

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ABOUT SMERA

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