

Press Release

Sreeven Pharma Private Limited

15 January, 2018

Rating Assigned



Total Bank Facilities Rated	Rs.6.50 crore
Long Term Rating	SMERA B/ Stable (Assigned)

Rating Rationale

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** to the above mentioned bank facilities of Sreeven Pharma Private Limited (SPPL). The outlook is '**Stable**'.

SPPL, a Hyderabad-based company was established in 2003 by Mr. Devendrappa J K. The company, a bulk drug manufacturer plans to enter into manufacturing of pharmaceuticals formulations (tablets, liquid orals, ointments etc) by setting up a WHO & cGMP (Current Good Manufacturing Practices) certified facility.

List of key rating drivers and their detailed description:

Strengths:

Experienced management

SPPL is led by three directors - Mr. Devendrappa J K, (Promoter and Managing Director), Mrs. Jegashette Vijayalaxmi and Dr. Suryakant Patil. Mr. Devendrappa J K has three decades of experience in API (Active Pharmaceutical Ingredient) and formulations while Mrs. Vijayalaxmi is the Director of M/s. Devis Bio-Research Pvt Ltd, a company that manufactures and trades in bulk drugs and intermediates. Dr. Suryakant Patil, a surgeon, has extensive experience in health care management and also heads S.B. Patil Dental College & Hospital apart from M/s SALCI Drugs & Formulation Pvt Ltd.

Weaknesses

Project approval risk

SPPL plans to expand capacity from the current 2.00 million per day to 3.00 million per day and liquid orals from 60,000 bottles to 80,000 bottles per day. The expected cost is Rs.7.13 crore to be funded through term loan of Rs.4.58 crore, promoter's capital of Rs.2.28 crore and unsecured loans of Rs.0.26 crore. This includes plant and machinery of Rs.3.39 crore and land and building of 3.74 crore. As informed by the management, the company has completed 95 percent work on the project and on receiving regulatory approvals, commercial operations are expected to start by March, 2018. The orders in hand as on date are ~Rs.2.15 crore to be executed post March, 2018. Delays in approvals from regulatory authorities are expected to impact the debt servicing ability of the company.

Highly fragmented industry

The pharma intermediaries industry is highly competitive and fragmented with numerous organised as well as unorganised players in the domestic market putting pressure on margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Sreeven Pharma Private

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Limited to arrive at the rating.

Outlook – Stable

SMERA believes that SPPL will maintain a Stable outlook and continue to benefit over the medium term owing to its experienced management and established presence in the industry. The outlook may be revised to 'Positive' in case the company registers higher than expected improvement in profit margins and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profit margins and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.23
EBITDA	Rs. Cr.	(0.87)	(0.09)	0.03
PAT	Rs. Cr.	(1.33)	(0.11)	0.00
EBITDA Margin	(%)	0.00	0.00	14.63
PAT Margin	(%)	0.00	0.00	1.59
ROCE	(%)	(15.58)	(2.75)	0.55
Total Debt/Tangible Net Worth	Times	2.23	0.45	0.02
PBDIT/Interest	Times	(2.08)	0.00	12.07
Total Debt/PBDIT	Times	(5.56)	(17.01)	1.85

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.20	SMERA B/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.35	SMERA B/ Stable
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	1.95	SMERA B/ Stable

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ABOUT SMERA

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