

**March 20, 2015**

Facilities	Amount (Rs. Crore)	Rating
Term Loan	7.00	SMERA B+/Stable (Assigned)
Cash Credit	8.00	SMERA B+/Stable (Assigned)
Overdraft	4.50	SMERA B+/Stable (Assigned)
Term Loan (proposed)	7.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to the Rs.26.50 crore bank facilities of SSG Pharma Private Limited (SPPL). The outlook is '**Stable**'. The rating is constrained by the company's weak financial profile and debt-funded capex plan. The rating is also constrained by the company's exposure to intense competition in the packaged food industry. The rating notes that the company's profit margins are susceptible to volatility in raw material prices. However, the rating is supported by the company's experienced management and established brand image. The rating is also supported by the company's strong distribution network.

SPPL, incorporated in 1999, is a Delhi-based company engaged in manufacturing of digestive tablets, snacks and packaged sweets, which are sold under the brand name of 'Satmola'. SPPL's weak financial risk profile is reflected in high leverage (total outside liabilities to tangible net worth ratio) of 3.55 times as on March 31, 2014 and low interest coverage ratio of 1.36 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.17 per cent in FY2013-14. SPPL plans to undertake capital expenditure of ~Rs.10.00 crore towards setting up a new manufacturing facility. The aforementioned capex is likely to be funded through term loan of Rs.7.00 crore and promoters' contribution of Rs.3.00 crore. Notwithstanding the benefits of diversification, SMERA believes SPPL's financial profile may deteriorate on account of the debt-funded capex.

SPPL faces intense competition from several players in the packaged food industry. The company's profit margins are susceptible to volatility in raw material prices.

SPPL benefits from its experienced management. The promoters of the company have around three decades of experience in the packaged food industry. SPPL also benefits from the high recognition of the 'Satmola' brand. The company has a strong distribution network comprising ~200 distributors across India.

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### Outlook: Stable

SMERA believes SPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues and net cash accruals, or in case of deterioration in the company's financial risk profile and liquidity position.

### About the company

SPPL, established in 1999, is a Delhi-based company promoted by Mr. Anil Kumar Mittal, Mr. Sunil Kumar Mittal and Mr. Navansh Mittal. SPPL is engaged in manufacturing and distribution of digestive tablets, snacks and packaged sweets.

For FY2013-14, SPPL reported net profit of Rs.0.16 crore on total income of Rs.92.32 crore, as compared with net loss of Rs.1.07 crore on total income of Rs.49.87 crore in FY2012-13. The company's net worth stood at Rs.5.06 crore as on March 31, 2014, as compared with Rs.4.57 crore a year earlier.

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