

SSG Pharma Private Limited: Downgraded

Name of the Instruments	Amount (Rs Crore)	Rating/Outlook
Term Loan	3.01	SMERA B/Stable (Downgraded from SMERA B+/Stable)
Term Loan	3.99	SMERA B/Stable (Downgraded from SMERA B+/Stable)
Overdraft	5.60	SMERA B/Stable (Downgraded from SMERA B+/Stable)
Cash Credit	6.00	SMERA B/Stable (Downgraded from SMERA B+/Stable)

SMERA has downgraded the long-term rating of the Rs.18.60 crore bank facilities of SSG Pharma Private Limited (SPPL) to '**SMERA B' (read as SMERA B)**' from '**SMERA B+**' (read as SMERA B plus). The outlook is '**Stable**'. The downgrade reflects significant deterioration in its financial risk profile on account of decline in revenue and profitability. The rating is constrained by the moderate scale of operations and intense competition in the pharma and food industry. However, the rating draws support from the established operations and experienced management.

SPPL has achieved operating income of Rs.80.0 crore in FY2015-16 (Provisional), a decline from Rs.96.73 crore in FY2014-15. The company reported losses of Rs.0.70 crore in FY2015-16 (provisional) against PAT of Rs.0.12 crore in FY2014-15. The moderate financial risk profile is marked by healthy scale of operations with revenue of Rs.96.73 crore, high gearing (debt-to-equity) of 5.74 times as on March 31, 2015 and low liquidity profile (14.00 per cent bank limit utilised of cash credit limit during the period October 2015 to March 2016 and 65 per cent bank limit utilisation of overdraft limit during the period October 2015 to March 2016). Moreover, the interest coverage ratio stood at 1.50 times in FY2014-15. The company registered PAT margin of 0.12 per cent in FY2014-15 as against 0.17 per cent in FY2013-14. SPPL operates in an intensely competitive segment of the pharma and food industry. The total debt of Rs.17.22 crore includes unsecured loans of Rs.0.40 crore that are subordinated to bank debt as on March 31, 2015.

The company is promoted by Mr. Shiv Shankar Mittal. The Mittal family has been in the manufacturing of digestive tablets and sweets since 1944, this is the fourth generation of the promoter's family in the digestive tablets manufacturing business. The company has a well established network of suppliers and customers and sells its products across the India except south India under the 'Satmola' brand name.

Outlook- Stable

SMERA believes SPPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital funds

Criteria applied to arrive at the rating:

- Manufacturing Entities

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. The company is engaged in the manufacture and distribution of digestive tablets, snacks and sweets.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.96.73 crore, as compared with profit after tax (PAT) of Rs.0.16 crore on operating income of Rs.92.32 crore in FY2013–14. The net worth stood at Rs.2.93 crore as on March 31, 2015 against Rs.5.06 crore a year earlier.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
20 March , 2015	Term Loan	7.00	SMERA B+	-	Stable
	Overdraft	4.50	SMERA B+	-	Stable
	Cash Credit	8.00	SMERA B+	-	Stable
	Proposed	7.00	SMERA B+	-	Stable

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ABOUT SMERA

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