

December 03, 2013

Facilities	Amount (Rs. Crore)	Rating
Proposed Cash Credit	8.00	SMERA B - / Stable / (Assigned)

SMERA has assigned a rating of '**SMERA B- (Read as SMERA B minus)**' to the long-term (fund based) bank facilities of Janak Medicos (Janak). The outlook is '**Stable**'. The rating is primarily constrained by the firm's weak debt protection metrics and low profit margins. The rating is further constrained by the firm's working capital-intensive operations and exposure to intense competition prevalent in the medicines distribution business. However, the rating is supported by the firm's experienced management and long-standing relationships with customers and suppliers.

Janak, established in 2003, is a Delhi-based authorized distributor of medicines. Janak has weak debt protection metrics with high leverage at 13.56 times as on March 31, 2013 and low interest coverage ratio of 1.25 times in FY2012-13 (refers to financial year, April 01 to March 31). The firm's net profit margin is low at 0.56 per cent in FY2012-13. Janak's operations are working capital-intensive as evidenced in high average bank limit utilisation of 99 per cent during April 2013 to October 2013. The firm faces intense competition from various large and small distributors of medicines.

Janak benefits from its experienced management. Mr. Ravi Pal Udar, Managing Partner of Janak, has around 10 years of experience in the firm's line of business. Mr. Sanjeev Wasan and Mr. Mahesh Chand Sharma, Partners of Janak, have over eight years of experience in the firm's line of business.

Janak has a reputed clientele. The firm caters to various hospitals including Mata Charan Devi Hospital, Maharaja Agrasen Hospital and Balaji Hospital. Janak benefits from its long-standing relationships with various suppliers (leading pharmaceutical companies) including Cipla Ltd., Sun Pharma, Glenmark, Himalaya and Novartis.

Outlook: Stable

SMERA believes Janak will maintain a stable business risk profile in the medium term on the back of its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers a significant improvement in its profit margins and coverage indicators while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of a further stretch in the firm's working capital cycle or in case of deterioration in the firm's capital structure.

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About the firm

Janak, established in 2003, is a Delhi-based partnership firm promoted by Mr. Ravi Pal Udar, Mr. Sanjeev Wasan and Mr. Mahesh Chand Sharma. Janak is an authorized distributor of medicines manufactured by leading pharmaceutical companies including Sun Pharmaceutical Ltd., Cipla Ltd., Novartis, Johnson & Johnson, Glenmark, Cadila Healthcare, Cadila Pharmaceuticals, Indoco Remedies, Abbott, Aventis, Pfizer, The Himalaya Drug Company, Alembic Ltd. FDC, Franco Indian, EISAI, Meyer Wockhardt Ltd. Unichem, and JB Chemicals.

For FY2012–13, Janak reported PAT of Rs.0.18 crore on operating income of Rs.32.22 crore as compared with PAT of Rs.0.15 crore on operating income of Rs.26.04 crore for FY2011–12. The firm's net worth stood at Rs.0.48 crore as on March 31, 2013.

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