Press Release

SSV Pharma Private Limited (SPPL)
June 21, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	37.80 (decreased from Rs. 40.80 crore)	IVR BB-/Stable (IVR Double B minus with Stable Outlook)	IVR BB-/Stable (IVR Double B minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities	20.00 (increased from Rs. 6.00 Crore	IVR BB-/Stable (IVR Double B minus with Stable Outlook)	IVR BB-/Stable (IVR Double B minus with Stable Outlook)	Reaffirmed	Simple
Total	**57.80 (Rupees Fifty-Seven Crores and Eighty Lakh Only)**				

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed the ratings assigned to the bank facilities of SPPL. The ratings continue derives strength from sustained improvement in total operating income and profitability over FY23 and FY24(P), experienced management, location advantage, moderate operating profile, SPPL's new R&D facility and reputed clientele base. The ratings are however constrained by elongated working capital cycle, moderate capital structure and vulnerability to change in Government/Regulatory policies and volatility in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the company's revenue and/or profitability while maintaining the debt protection parameters.
- Effective working capital management leading to improvement in operating cycle and liquidity.

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management:

Despite being a new company, SPPL benefits from a skilled management team with extensive experience. They've built robust connections with suppliers and customers, fostering strong relationships. Alongside the founder, the company is supported by a team of seasoned professionals, each with over twenty years of experience in the field, overseeing both overall operations and day-to-day management.

Location Advantage:

The manufacturing plant is located in Atchutapuram, Vishakhapatnam, Andhra Pradesh where most of the big pharmaceuticals' companies are based thus benefitting the company when compared to their competitors.

Moderate Operating Profile:

SPPL's total operating income improved by 93.61% on y-o-y basis to Rs.45.14 crore in FY24(P) (refers to period April 1, 2023, to March 31, 2024) led by higher capacity utilization with strong execution of orders. EBITDA margin improved to 22.95% in FY24(P) as against 14.88% in FY23 due to benefits of operating leverage. SPPL has turned profitable on PAT levels during FY24(P) as against loss in FY23 due to strong EBITDA. The revenue and margins are expected to improve further in FY25 and beyond due to the healthy book order and strong customer relationships.

SPPL's new R&D Facility:

SPPL has established a new R&D Centre in State of art Hyderabad. The facility operates on lease basis only and therefore no capex as such. As per management, this facility will include 2 or more new products to their product portfolio every year and contribute to additional revenue in projected years.

Strong customer base and healthy order book:

SPPL has strong and reputed customer-based network, including industry giants like Aurobindo Pharma Limited, Mylan Laboratories Limited, Lee Pharma Limited, Laurus Lab Limited, Alembic Pharma Limited, Gland Pharma Limited, Dr. Reddy’s Laboratories Ltd, Zydus life sciences Limited and many more. The strong customer-based network will help them to grow their business. Additionally, SPPL have healthy book orders in their hand of Rs. 98.00 crore and this order book is in line with the revenue of FY25.

Key Rating Weaknesses

Moderate capital structure:

SPPL’s capital structure marked by overall gearing and TOL/TNW has deteriorated and stood at 4.33x and 4.67x respectively as on March 31, 2024 (March 31, 2023: 3.97x and 4.15x respectively) due to increase in unsecured loans and working capital debt. Though, SPPL’s net worth has remained low at Rs.15.82 crore as on March 31, 2024, (March 31, 2023: Rs. 15.30 crore). The debt protection metrics marked by interest coverage ratio has improved to 1.47x in FY24(P) due to increase in EBITDA (FY23: 0.71x).

Elongated working capital cycle and stretched liquidity:

Operations are working capital intensive as reflected by elongated working capital cycle with net working capital cycle has increased to 150 days at the end of FY24(P) (FY23:135 days) due to lower creditor days at 23 days in FY24(P) as against (FY23: 43 days) despite stable gross working capital cycle. Liquidity remained stretched reflected by average fund-based utilisation stood at 72.50% for twelve months ended April 24. DSCR was below unit during FY23 and FY24 which was funded through infusion of unsecured loans from promoters. Infomerics expects, DSCR to remain above unity through FY25-FY27 with expectations of strong cash flow with strong EBITDA.

Vulnerability to Change in Government/Regulatory Policies and Volatility in Raw Material Prices:

The pharmaceutical industry is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the Company. Having geographical, Company needs to be constantly updated with the changing guidelines.

Further, the volatility in the raw material prices and time lag of passing the movement in the prices to its customers may impact the profitability of the group adversely.

Analytical Approach: Standalone

Applicable Criteria:

Criteria on Default Recognition
Criteria for rating Outlook
Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Complexity Level of Rated Instruments/Facilities

Liquidity –Stretched

Liquidity remained stretched reflected by average fund-based utilisation for twelve months stood at 72.50% year ended April 24. DSCR was below unit during FY23 and FY24 which was funded through infusion of unsecured loans from promoters. Infomerics expects, DSCR to remain above unity through FY25-FY27 with expectations of strong cash flow with strong EBITDA. The current ratio stood at 0.89x as on March 31, 2024 (March 31, 2023: 1.15x); while quick ratio remains low at 0.33x as on March 31,2024 (March 31,2023: 0.60x) due to increase in short term borrowings.

About the Company

Established in 2016, having its head office located in Hyderabad and Manufacturing facility, located in Atchutapuram Visakhapatnam, Andhra Pradesh, India. The company is mainly into manufacturing of intermediates covering various therapeutic areas. Its main focus is on technology and development of Intermediates & API’s (Active Pharmaceutical Ingredients). Facilities for Chemical synthesis and process development.
These facilities are certified with ISO 9001:2015; ISO 14001:2015, ISO 45001:2018, and have FDA Facility Establishment Identification Number (FEI number) & DUNS® Number. The company follows cGLP and cGMP practices.

Financials (Standalone):

(Rs. crore)

For the year ended/ As On	**31-03-2022**	**31-03-2023**
	Audited	**Audited**
Total Operating Income	10.68	23.32
EBITDA	4.44	3.47
PAT	-2.45	-4.50
Total Debt	51.79	60.75
Tangible Net-worth	19.80	15.30
Ratios		
EBITDA Margin (%)	41.57	14.88
PAT Margin (%)	-22.86	-19.26
Overall Gearing Ratio (x)	2.62	3.97
EBITDA Interest Coverage Ratio(x)	0.99	0.70

** As per Infomerics Standard*

Status of non-cooperation with previous CRA: Brickwork Ratings has continued to classify the bank facilities under the ISSUER NOT CO-OPERATING category on account of non – availability of information vide it's press release dated on May 16, 2024.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	**Name of Instrument/ Facilities**	**Current Ratings (Year 2024-25)**			**Rating History for the past 3 years**		
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in in 2021-22**
					Date: (August 18, 2023)	**Date:**	**Date:**
1.	Long Term Bank Facilities	Long Term	37.80 (decreased from Rs. 40.80 crore)	IVR BB-/Stable	IVR BB-/Stable	--	--
2.	Long Term Bank Facilities	Long Term	20.00 (increased from Rs. 6.00 Crore	IVR BB-/Stable	IVR BB-/Stable	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	September 2028	37.80	IVR BB-/ Stable
Cash Credit	--	--	Revolving	20.00	IVR BB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-SSVPharma-june24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.