Rating Rationale

Brickwork Ratings Revises the ratings to 'BWR B' & 'BWR A4' for the Bank Loan Facilities of ₹ 9.62 Cr of JapshiChem Pharmaceuticals.

Brickwork Ratings (BWR) *revises* the **Ratings**[1] for the outstanding bank loan facilities of JapshiChem Pharmaceuticals as below.

Facility	Previous Limits (₹ Cr)	Present Limit (₹ Cr)	Tenure	Previous Rating (October 2013)	Present Rating
Fund Based **Cash Credit** **SLC** **WCTL*** **Term Loan*** **FITL***	6.00 0.75 - 2.83 -	**5.00** **-** **1.76** **2.38** **0.48**	**Long Term**	BWR BB (Pronounced BWR Double B) (Outlook: Stable)	**Revised to BWR B** (Pronounced BWR Single B) **(Outlook: Stable)**
Non-Fund Based **Letter of Credit** (Sub Limit of Cash Credit)	-	(0.40)	**Short Term**	-	**BWR A4** (Pronounced BWR A Four)
Total	9.58	**9.62**	**INR Nine Crores and Sixty Two Lakhs only**		

***WCTL, Term Loan and FITL are amounts outstanding as on 1st July 2015.**

BWR has principally relied upon the audited financials of up to FY15 and projections for FY16, publicly available information and information/clarifications provided by the firm's management.

The rating factors, inter alia, promoters' experience, promoters' ability to improve and infuse capital as per business requirements, wide product portfolio and diversified customer base. However, the rating is constrained by decline in revenues, losses incurred in FY15, restructuring of the credit facilities, weakened debt protection metrics and stretched liquidity.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Background:

Japshichem Pharmaceuticals (JCP) was established in December 2007 as a partnership firm. The firm is into the business of manufacturing of various generic pharmaceutical products. The manufacturing unit of the firm is located at Saini, Himachal Pradesh. The firm also has a sister concern named Condor Biotech Limited, which manufactures only tablets and capsules. Mr. Amarjeet Singh and Mrs. Maninder Kaur are the partners of the firm. Mr. Amarjeet Singh has more than 25 yrs of experience in pharmaceutical industry.

Financial Performance:

The net sales from operations have decreased to ₹17.78 Cr in FY15 from ₹31.58 Cr in FY14. The operating profit decreased to ₹1.47 Cr in FY15 against ₹2.69 Cr in FY14. The firm has incurred net loss of ₹0.20 Cr in FY15 against net profit of ₹0.91 Cr in FY14. Partner's Capital of the firm stood at ₹5.39 Cr as on March 31, 2015.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward the ability of the firm to improve the sales & profitability margins, improve its liquidity and service its financial obligations in a timely manner shall be the key rating sensitivities.

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