

October 27, 2014

| Facilities | Amount (Rs. Crore) | Ratings |
|----------------------|--------------------|-----------------------------------|
| EPC/PCFC | 15.00 | SMERA B+/Stable (Assigned) |
| Cash Credit | 0.50 | SMERA B+/Stable (Assigned) |
| Term Loan I | 0.92 | SMERA B+/Stable (Assigned) |
| Term Loan II | 1.65 | SMERA B+/Stable (Assigned) |
| Term Loan III | 6.60 | SMERA B+/Stable (Assigned) |

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA single B plus**) to the Rs.24.67 crore long-term bank facilities of Blue Circle Organics Private Limited (BCOPL). The outlook is '**Stable**'. The ratings are primarily constrained by the company's stretched liquidity position and low net worth. The ratings are also constrained by risks related to the debt-funded capital expenditure undertaken by the company. However, the ratings are supported by the company's healthy revenue growth and experienced management. The ratings are also supported by the company's presence in a niche segment of the chemical industry.

BCOPL, established in 2003, is a Maharashtra-based company engaged in manufacturing and export of 5-nitroisophthalic acid (5-NIPA) used in production of X-ray contrast media and active pharmaceutical ingredients. BCOPL's stretched liquidity position is reflected in gross current assets of ~170 days (average of last three years) and collection period of 105 days in FY2013-14 (refers to financial year, April 01 to March 31). The company's working capital requirements are higher in the second half of the financial year on account of increase in order flows. BCOPL's net worth is low at Rs.14.38 crore as on March 31, 2014. The company's debt-equity ratio is moderately high at 1.78 times as on March 31, 2014.

BCOPL has undertaken capital expenditure towards purchase of machineries for manufacturing metformin hydrochloride at its existing factory unit. The total project cost is Rs.30.00 crore, which is funded through external commercial borrowings of Rs.22.00 crore and promoters' funds of Rs.8.00 crore. BCOPL expects to commission the project by December 2015. SMERA believes delays in project implementation and resultant cost overruns may impinge on BCOPL's credit profile. The company's ability to scale up operations and register sustained growth in profitability (post commissioning of the ongoing project) will be a key rating sensitivity.

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BCOPL's revenues have grown at a healthy compound annual growth rate (CAGR) of ~20 per cent over the past five years on the back of increase in sales realisation and expansion of customer base. The company's export sales account for ~5 per cent of India's total export of 5-NIPA. SMERA believes BCOPL will continue to benefit from its strong market position in the niche segment of the chemical industry. The company also benefits from its experienced management. Mr. Akshay Arora, director of BCOPL, has around four decades of experience in the speciality chemical industry.

Outlook: Stable

SMERA believes BCOPL 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 profitability with significant improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's working capital management.

About the company

BCOPL, established in 2003, is a Maharashtra-based company promoted by Mr. Akshay Arora. BCOPL is engaged in manufacturing of 5-NIPA, which is a speciality chemical used in production of X-ray contrast media and active pharmaceutical ingredients.

For FY2013-14, BCOPL reported profit after tax (PAT) of Rs.2.21 crore on operating income of Rs.54.33 crore, as compared with PAT of Rs.1.28 crore on operating income of Rs.42.24 crore in FY2012-13. The company registered revenues of ~Rs.25.00 crore during April 2014 to September 2014. BCOPL's net worth stood at Rs.14.38 crore as on March 31, 2014, as compared with Rs.14.35 crore a year earlier.

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