



SMERA RATINGS LIMITED

KDAC Chem Private Limited (KCPL)

*Rating
Rationale*

November 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
Corporate Loan	5.75	SMERA B/Stable (Upgraded from SMERA D)
Term Loan	8.81	SMERA B/Stable (Upgraded from SMERA D)
FITL	5.30	SMERA B/Stable (Upgraded from SMERA D)
Cash Credit*#	9.00	SMERA B/Stable (Upgraded from SMERA D)
Working Capital Term Loan	30.74	SMERA B/Stable (Upgraded from SMERA D)
Bank Guarantee	0.50	SMERA A4 (Upgraded from SMERA D)
Credit Exposure Limit	0.12	SMERA A4 (Upgraded from SMERA D)

*includes Export Packing Credit as sublimit to the extent of Rs.2.50 crore

#includes Letter of Credit as sublimit to the extent of Rs.3.00 crore

SMERA has upgraded the long term rating on the Rs.59.60 crore and short term rating on the Rs.0.62 crore bank facilities of KDAC Chem Private Limited (KCPL) to '**SMERA B' (read as SMERA B)** and '**SMERA A4' (read as SMERA A four)** from SMERA D (read as SMERA D). The outlook is '**Stable**'.

Update

KCPL generated net cash accruals (NCA) of Rs.7.11 crore (provisional) on net sales of Rs.35.72 crore (provisional) during the period April 01, 2015 to October 31, 2015. For FY2014-15, KCPL generated NCA of Rs.7.53 crore on operating income of Rs.55.90 crore, as compared to cash loss Rs.1.86 crore on operating income 49.61 crore in FY2013-14. The company is expected to report NCA of ~Rs.11-12 crore on operating income of ~Rs.65 crore in FY2015-16. KCPL's ability to generate net cash accruals for timely repayment of debt obligations will remain the key rating sensitivity.

KCPL has negative net worth of Rs.10.66 crore as on March 31, 2015 as compared with negative net worth of Rs.9.09 crore as on March 31, 2014. However, the interest coverage ratio has improved to 1.85 times in FY2014-15, as compared to 0.73 times in FY2013-14 on account of improvement in operating profit margin.

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Outlook: Stable

SMERA believes KCPL 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 generates healthy net cash accruals while maintaining growth in revenue. Conversely, the outlook may be revised to 'Negative' in case the company registers continuous losses, lower-than-expected growth in revenues and net cash accruals or deterioration in the financial risk profile.

About the company

KCPL (the erstwhile Dhruv Transchem Private Limited) is a Vadodara-based company established in 2003 by Mr. Hasmukh Shah and Mr. Tansukhrai Gaur. The company is engaged in the manufacture of aromatic chemicals and has its manufacturing unit at Nadesari, Vadodara.

For FY2014-15 (refers to financial year, April 01 to March 31), KCPL reported net loss of Rs.1.56 crore on operating income of Rs.55.90 crore, as compared to net loss of Rs.6.16 crore on operating income of Rs.49.61 crore in FY2013-14.

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