

KDAC Chem Private Limited (Upgraded)

Facilities	Amount (Rs Crore)	Ratings/Outlook
Corporate loan	4.95 (revised from 5.75)	SMERA B+/Stable (Upgraded from B/Stable)
Term Loan	7.58 (revised from 8.81)	SMERA B+/Stable (Upgraded from B/Stable)
Cash Credit*#	9.00	SMERA B+/Stable (Upgraded from B/Stable)
Working Capital Term Loan	19.74 (revised from 30.74)	SMERA B+/Stable (Upgraded from B/Stable)
Bank Guarantee	0.50	SMERA A4 (Reaffirmed)
Credit Exposure Limit	0.12	SMERA A4 (Reaffirmed)
Proposed Facilities	18.33	SMERA B+/Stable/A4 (Assigned)
Funded Interest Term Loan (FITL)	5.30	SMERA B+/Stable (Upgraded from B/Stable; Withdrawn)

*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 above mentioned bank facilities of KDAC Chem Private Limited to '**SMERA B+**' (**read as SMERA B plus**) from 'SMERA B' (**read as SMERA B**) and reaffirmed the short term rating to '**SMERA A4**' (**read as SMERA A four**). SMERA has also assigned a long term rating of '**SMERA B+ (read as SMERA B plus)**' and short term rating of '**SMERA A4 (read as SMERA A four)**' to the Rs.18.33 crore bank facilities. The outlook is '**Stable**'. Further, SMERA has withdrawn the ratings of '**SMERA B+/Stable**' on the Rs.5.30 crore bank facility of KCPL since there are no dues outstanding as confirmed by the banker.

The rating upgrade is in view of the improvement in the business risk profile and repayment of debt obligations. The ratings continue to draw comfort from the company's experienced management, long track record of operations and reputed clientele. However the ratings are constrained by the average financial risk profile and working capital intensive operations.

Update

KCPL generated net cash accruals (NCA) of Rs.8.44 crore (provisional) on net sales of Rs.51.85 crore (provisional) during FY2015-16 compared to NCA of Rs.7.53 crore on operating income of Rs.55.90 crore in FY2014-15. 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.7.36 crore as on March 31, 2016 as compared with Rs.10.66 crore as on March 31, 2015. However, the interest coverage ratio improved to 2.74 times in FY2015-16, as compared to 1.85 times in FY2014-15 on account of improvement in the operating profit margin.

Rating Sensitivity Factors

- Scaling up operations while maintaining the improved profitability
- Efficient working capital management

Outlook - Stable

SMERA believes that KCPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if 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 its financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

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 FY2015-16, KCPL reported net profit of Rs.2.30 crore (provisional) on operating income of Rs.51.85 crore (provisional), as compared to net loss of Rs.1.56 crore on operating income of Rs.55.90 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs.Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
26 November, 2015	Corporate Loan	5.75	SMERA B (Upgraded)	-	Stable
	Term Loan	8.81	SMERA B (Upgraded)	-	Stable
	FITL	5.30	SMERA B (Upgraded)	-	Stable
	Cash Credit*#	9.00	SMERA B (Upgraded)	-	Stable
	Working Capital Term Loan	30.74	SMERA B (Upgraded)	-	Stable
	Bank Guarantee	0.50	-	SMERA A4 (Upgraded)	-
	Credit Exposure Limit	0.12	-	SMERA A4 (Upgraded)	-
03 December, 2014	Corporate Loan	5.75	SMERA D (Assigned)	-	-
	Term Loan	8.81	SMERA D (Assigned)	-	-
	FITL	5.30	SMERA D (Assigned)	-	-
	Cash Credit*#	9.00	SMERA D (Assigned)	-	-
	Working Capital Term Loan	30.74	SMERA D (Assigned)	-	-
	Bank Guarantee	0.50	-	SMERA D (Assigned)	-
	Credit Exposure	0.12	-	SMERA D	-

	Limit			(Assigned)	
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ABOUT SMERA

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