

January 28, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.50	SMERA B+/Stable (Reaffirmed)
Letter of Credit	7.00	SMERA A4 (Reaffirmed)
Bank Guarantee	1.50	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA B+**' (**read as SMERA B plus**) and '**SMERA A4**' (**read as SMERA A four**) on the Rs.10.00 crore bank facilities of Pharmachem Traders Private Limited (PTPL). The outlook is '**Stable**'. The ratings continue to be constrained by the company's small scale of operations and thin profitability in an intensely competitive segment of the chemicals industry. The ratings are also constrained by the susceptibility of the profit margins to volatility in raw material prices and fluctuations in forex rates. However, the ratings are supported by the experienced promoters, efficient working capital management and established relations with suppliers and customers.

Update

In FY2014-15, the company reported profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.23.98 crore, as compared to PAT of Rs.0.06 crore on operating income of Rs.24.35 crore in the previous year. The company's revenue has declined marginally because of muted demand from end-user industries. Further, the company has reported operating income of Rs.13.43 crore for the nine months ended December, 2015 (provisional). In FY2014-15, the profitability margin fell significantly on account of increase in raw material prices and low bargaining power with customers and suppliers. The company has started hedging around 80~70 per cent of its foreign exchange exposures in FY2014-15. The gearing is comfortable at 0.06 times as on March 31, 2015 and interest coverage ratio stood at 1.98 times in FY2014-15. However, the Return on Capital Employed (RoCE) declined to 2.34 per cent in FY2014-15. PTPL has maintained efficient working capital management evident by average cash credit limit utilisation of around 20 per cent during the six months ended December, 2015.

Rating Sensitivity Factors

- Scaling up of operations while maintaining adequate profitability
- Fluctuations in raw material prices and forex rates

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Outlook: Stable

SMERA believes PTPL will continue to benefit over the medium term from its experienced promoters and efficient working capital management. The company is also expected to sustain improvement in its financial risk profile over the period in the absence of any long-term borrowings. The outlook may be revised to 'Positive' if the company achieves substantial growth in scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the working capital management or decline in profitability.

About the Company

PTPL, incorporated in 2000, is a Kolkata-based company promoted by Mr. Sachin Pal. The company trades in chemicals such as melamine, caustic soda flakes, LLDPE among others.

In FY2014-15, the company reported profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.23.98 crore, as compared to PAT of Rs.0.06 crore on operating income of Rs.24.35 crore in the previous year. The company's net worth stood at Rs.4.99 crore as on March 31, 2015, as compared with Rs.4.96 crore a year earlier.

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