

March 27, 2015

Facilities	Amount (Rs. Crore)	Rating
Overdraft	6.00	SMERA BBB-/Stable (Assigned)
Term Loans	1.00	SMERA BBB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the abovementioned bank facilities of Simla Chemicals Pvt. Limited (SIMCO). The outlook is '**Stable**'. The rating is supported by the company's experienced management, established brand name and healthy financial risk profile. However, the rating is constrained by the company's modest-scale operations in a competitive segment of the cosmetics industry.

SIMCO, incorporated in 1961, is a Delhi-based company engaged in manufacturing of cosmetic products and hair fixers. SIMCO benefits from its experienced management. Mr. Kuldip Singh Bagga, managing director of SIMCO, has around 47 years of experience in the company's line of business. Mr. Kanwardip Singh Bagga, director of SIMCO, is a third-generation entrepreneur with 23 years of experience in the company's business. SIMCO has a strong brand recall. The company's hair fixer products are widely used by members of the Sikh community. SIMCO's healthy financial risk profile is reflected in low gearing (debt-equity ratio) of 0.56 times as on March 31, 2014 and strong interest coverage ratio of 5.42 times in FY2013-14 (refers to financial year, April 01 to March 31). The company reported healthy operating profit margin of 8.73 per cent in FY2013-14.

SIMCO has modest-scale operations with revenues of Rs.23.41 crore in FY2013-14. The company competes with several players in the cosmetics industry.

Outlook: Stable

SMERA believes SIMCO will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant improvement in profitability and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's profitability and cash accruals.

About the company

SIMCO, incorporated in 1961, is a Delhi-based company engaged in manufacturing of cosmetic products and hair fixers. The overall operations of the company are currently managed by Mr. Kuldip Singh Bagga and Mr. Kanwardip Singh Bagga. SIMCO has two manufacturing units in Baddi (Himachal Pradesh) and Bhiwadi (Rajasthan).

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For FY2013–14, SIMCO reported profit after tax (PAT) of Rs.1.77 crore on net sales of Rs.23.42 crore, as compared with PAT of Rs.1.40 crore on net sales of Rs.18.07 crore in FY2012–13. The company's net worth stood at Rs.9.92 crore as on March 31, 2014, as compared with Rs.8.15 crore a year earlier.

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