

May 12, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.00	SMERA BBB-/Stable (Assigned)
Letter of Credit	5.00	SMERA A3 (Assigned)
Letter of Guarantee	1.00	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) and '**SMERA A3**' (read as **SMERA A three**) to the Rs.18.00 crore bank facilities of Chemcon Speciality Chemicals Private Limited (CSCPL). The outlook is '**Stable**'. The ratings derive comfort from the company's established operations and experienced management. The ratings are also supported by the company's strong financial risk profile, healthy operating profit margin and reputed clientele. However, the ratings are constrained by the company's moderate scale of operations. The ratings note that the company faces intense competition in the pharmaceutical industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices.

CSCPL, incorporated in 1988, is a Vadodara-based company engaged in manufacturing of pharmaceutical intermediates and silicones. The company has recently diversified into manufacturing of oilfield chemicals (completion fluids). CSCPL benefits from its experienced management. The promoters of the company have around two decades of experience in pharmaceutical industry. CSCPL's strong financial risk profile is reflected in comfortable gearing of 0.78 times (as on March 31, 2014), strong net worth base of Rs.18.64 crore (as on March 31, 2014) and moderate interest coverage ratio of 1.48 times in FY2013-14. The company reported healthy operating profit margin of ~12 per cent in FY2013-14. SMERA believes CSCPL's profit margins may improve further on the back of product diversification undertaken recently.

CSCPL has moderate-scale operations with revenue of Rs.52.71 crore in FY2013-14. The company faces intense competition from several players in the pharmaceutical industry. CSCPL's profit margins are susceptible to volatility in raw material prices.

Outlook: Stable

SMERA believes CSCPL 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 strong growth in scale of operations while achieving sustained improvement in profit margins and liquidity position. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position.

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About the company

CSCPL, incorporated in 1988, is a Vadodara-based company engaged in manufacturing of pharmaceutical intermediates, silicones and oilfield chemicals (completion fluids).

For FY2013-14, CSCPL reported profit after tax (PAT) of Rs.1.16 crore on operating income of Rs.52.71 crore, as compared with PAT of Rs.1.68 crore on operating income of Rs.51.10 crore in FY2012-13. The company's net worth stood at Rs.18.64 crore as on March 31, 2014, as compared with Rs.17.48 crore a year earlier.

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