

Chemcon Speciality Chemicals Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	15.00 (Enhanced from Rs. 12.00 crore)	SMERA BBB-/Stable (Reaffirmed)
Letter of Credit	7.00 (Enhanced from Rs. 6.00 crore)	SMERA A3 (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short-term rating of '**SMERA A3**' (**read as SMERA A three**) on the abovementioned bank facilities of Chemcon Speciality Chemicals Private Limited (CSCPL). The outlook is '**Stable**'. The ratings continue to derive comfort from the company's established operations and experienced management. The ratings also draw support from the healthy financial risk profile and reputed clientele. However, the ratings are constrained by the moderate scale of operations and intense competition in the pharmaceutical industry. The ratings also factor in the susceptibility of profit margins to volatility in raw material prices.

Update

CSCPL's operating income has increased by ~51 per cent in FY2015-16 (refers to financial year, April 01 to March 31) to Rs.96.39 crore (provisional), as compared with Rs.63.49 crore in FY2014-15. The operating margin declined to 9.41 per cent in FY2015-16 from 12.18 per cent in FY2014-15. In FY2014-15, the company launched a new product, Calcium Bromide that helped improve revenues but affected profitability as the company introduced new product in the market with minimal margins.

CSCPL's gearing (total debt to equity ratio) remained healthy at 0.52 times as on March 31, 2016 as against 0.57 times as on March 31, 2015. The company's interest coverage ratio remained at 3.31 times in FY2015-16 as compared to 3.53 times in FY2014-15. The debt service coverage ratio (DSCR) has been comfortable at 2.28 times in FY2015-16 as compared to 2.96 times in FY2014-15.

The company faces intense market competition in the pharmaceutical industry. The profit margins are susceptible to volatility in raw material prices.

Rating Sensitivity Factors

- Sustained improvement in scale of operations and profitability
- Deterioration of Capital structure

Outlook: Stable

SMERA believes CSCPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers strong growth in scale of operations while achieving sustained improvement in profit margins and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

Chemcon Speciality Chemicals Private Limited (CSCPL)

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

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

For FY2015-16 (provisional), CSCPL reported profit after tax (PAT) of Rs.3.43 crore on operating income of Rs.96.39 crore, as compared with PAT of Rs.2.66 crore on operating income of Rs.63.49 crore in FY2014-15. The net worth stood at Rs.24.56 crore as on March 31, 2016, as compared with Rs.21.13 crore a year earlier.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating /Outlook
			Long Term	Short Term	
12 May, 2015	Cash Credit	12.00	SMERA BBB- (Assigned)	-	Stable
	Letter of Credit	5.00	-	SMERA A3 (Assigned)	-
	Letter of Guarantee	1.00	-	SMERA A3 (Assigned)	-

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ABOUT SMERA

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