

Press Release

SATYAM PHARMA-CHEM PRIVATE LIMITED

November 23, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 29.14 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 29.14 crore bank facilities of SATYAM PHARMA CHEM PRIVATE LIMITED. The outlook is '**Stable**'.

Satyam Pharma Chem Private Limited (SPCPL), incorporated in 1981, is a Mumbai-based company engaged in the manufacture of inorganic metal based specialty chemicals at Rabale, Navi Mumbai. The company manufactures a range of acetates (salts of acetic acid), compounds (manganese), bismuth, selenium among others. SPCPL has set up a unit at Patalganga, near Karjat to manufacture high grade chromatography solvents for the pharmaceutical industry.

Key Rating Drivers

Strengths

- **Experienced management, healthy track record of operations**

Mr. Navin Khokhani, Director has around four decades of experience in the specialty chemical business. He is well supported by his son, Mr. Samit Khokhani, who has over a decade of experience and Director, Dr. Swamy who possesses over four decades of experience in the industry.

- **Reputed clientele, diversified customer base**

The company has established long term relations with Reliance Industries Limited (25 years), Indian Oil Corporation (15 years) and others. This enables the company to benefit from repeat orders from its customers.

- **Healthy financial risk profile**

The financial risk profile is healthy. The company registered CAGR of 16 per cent from FY2013 to FY2017. The revenue increased to Rs. 48.52 crore in FY2017 from Rs. 37.74 crore in FY2016. The operating margin (EBITDA) stood at 11.84 per cent in FY2017 as against 12.91 per cent in FY2016. The profit margin (PAT) stood at 4.13 percent in FY2017 compared to 3.00 percent in the previous year. The company registered gearing (Debt-Equity) of 0.33 times as on 31 March, 2017 as against 0.84 times as on 31 March, 2016. The coverage indicators are comfortable with interest coverage ratio of 2.74 times for FY2017 and 2.12 times for FY2016. The DSCR stood at 1.19 times in FY2017 compared to 1.98 times in FY2016. The networth stood at Rs.14.86 crore as on 31 March, 2017 and Rs.13.73 crore as on 31 March, 2016.

- **Efficient working capital management**

The GCA fell to 64 days in FY2017 from 114 days in FY2016. The debtor days stood at 40 in FY2017 compared to 42 days in the previous year. The company registered inventory days of 25 days in FY2017 as against 72 days in the previous year.

Weaknesses

- **Susceptibility of margins to fluctuations in raw material prices**

The major raw materials are manganese, cobalt, bismuth and lithium, the prices of which have registered a fluctuating trend in the last five years. Thus, the profitability of the company is susceptible to volatility in raw material prices.

- **Foreign exchange fluctuation risk**

The company imports metals from China which constitutes ~80 per cent of total purchases while other chemicals such as acids are purchased locally. SPCPL also exports ~28 per cent of its sales to Brazil, Germany, and Finland. As a result, the company benefits from natural hedge for a part of its exposure. SPCPL does not hedge its exposure.

Analytical Approach

SMERA has considered the standalone financial and business risk profile to arrive at the rating.

Outlook: Stable

SMERA believes that SPCPL will maintain a Stable outlook over the medium term on the back of its experienced management and diversified customer base. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in capacity utilisation. Conversely, the outlook may be revised to 'Negative' in case of deterioration in capacity utilisation increasing pressure on margins.

About the Rated Entity - Key Financials

For FY2016-17, SPCPL reported Profit after Tax (PAT) of Rs.2.00 crore on operating income of Rs.48.52 crore compared to PAT of Rs.1.13 crore on operating income of Rs.37.74 crore in FY2015-16. The net worth stood at Rs.14.86 crore as on 31 March, 2017 compared to Rs.13.73 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Dec-2016	Cash Credit	Long Term	INR 2.6	SMERA BB- / Stable
	Bills Discounting	Short Term	INR 2	SMERA A4
	Letter of Credit	Short Term	INR 12	SMERA A4
	Bank Guarantee	Short Term	INR 1.84	SMERA A4
06-Aug-2015	Cash Credit	Long Term	INR 2.6	SMERA BB- / Stable
	Bills Discounting	Short Term	INR 2	SMERA A4
	Letter of Credit	Short Term	INR 12	SMERA A4
	Bank Guarantee	Short Term	INR 1.84	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	30-Sep-2021	6.50	SMERA BB / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.60	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.84	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA A4+

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ABOUT SMERA

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