

March 02, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	8.00	SMERA BB/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as SMERA double B) to the Rs.8.00 crore bank facility of Ashoka Drugs & Chemicals (ADC). The outlook is '**Stable**'. The rating is supported by the firm's long track record of operations, experienced management and established relations with customers. The rating also draws comfort from the healthy financial risk profile marked by comfortable leverage (debt-to-equity ratio) and moderate coverage indicators in FY2014-15 (refers to financial year, April 01 to March 31). However, the rating is constrained by intense competition in the chemical industry.

Outlook: Stable

SMERA believes ADC will maintain a stable business risk profile in the medium term owing to the established operations and extensive experience of the promoters in the business. The outlook may be revised to 'Positive' if the firm registers improvement in operations and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while maintaining margins
- Future capital expenditure plans and its funding mix thereof

About the Firm

ADC, established in 2005, is a New Delhi-based firm promoted by Mr. Manish Aggarwal. The firm is engaged in the manufacture of organic chemicals such as Formaldehyde at its processing facility at Mohali, Punjab. ADC has interest bearing unsecured loans worth Rs.3.27 crore in FY2014-15 from promoters, friends and relatives that are subordinated to bank debt. These loans are expected to remain in the business over the medium term. SMERA has treated such unsecured loans as quasi-equity.

For FY2014-15, ADC reported profit after tax (PAT) of Rs.0.69 crore on operating income of Rs.52.76 crore as compared with PAT of Rs.0.65 crore on operating income of Rs.49.85 crore for FY2013-14. The firm's net worth stands at Rs.9.71 crore (including unsecured loan of Rs.3.27 crore) as on March 31, 2015 as compared with Rs.8.06 crore (including unsecured loan of Rs.2.09 crore) a year earlier.

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Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel: +91-22-6714 1151 Cell: +91 9892306888 Email: suman.m@smera.in Web: www.smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1317 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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