

May 26, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash credit	6.00	SMERA B/Stable (Assigned)
ILG/FLG	3.00*	SMERA A4 (Assigned)

**ILC/FLG sub limit restricted upto Rs.1.5 crore for DA basis*

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA B**) and '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of Sidhivinayak Chemtech Private Limited (SCPL). The outlook is '**Stable**'. The ratings are constrained by the company's limited track record of operations, thin profit margins and below average financial risk profile. The ratings however derive comfort from the moderate scale of operations and experienced management.

SCPL is a Delhi-based company engaged in the trading of agro chemicals from September 2013. The company operates on thin profit margins. It registered EBITDA margin of 0.10 per cent in FY2014-15. SCPL has been sanctioned working capital limit in March 2016 and is expected to benefit soon from this banking arrangement.

SCPL has a below average financial risk profile marked by low net worth of Rs.0.04 crore as on March 31, 2015. Going ahead, the gearing of the company is expected to be high due to short term working capital limits reflecting in the books. The profit margins of the company are susceptible to fluctuations in forex rates as the company imports agro chemicals from China.

SCPL operates on a moderate scale with operating income of Rs.53.13 crore in FY2014-15. The company benefits from the extensive experience of the promoters in the agro chemical industry.

Rating Sensitivity Factors

- Scaling up of operations
- Improvement in profit margins
- Efficient working capital management

Outlook: Stable

SMERA believes SCPL will maintain a stable business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

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About the Company

SCPL, incorporated in 2012 by Mr. Ankit Bhutani and Mr. Rakesh Kumar is engaged in the trading of agro chemicals from September 2013. The company majorly purchases from Jammu, Haryana and China.

For FY2014-15, SCPL reported profit after tax (PAT) of Rs.0.02 crore on operating income of Rs.51.73 crore as against PAT of Rs.0.01 crore on operating income of Rs.13.71 crore in the previous year.

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