

### Scottish Chemical Industries: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
EPC/FBN/FCPC/FBD*	15.00	SMERA A3 (Assigned)

\* EPC-Export Packing Credit, FBN- Foreign Bills Negotiated, FCPC- Foreign Currency Packing Credit, FBD – Foreign Bill Discounting

SMERA has assigned short term rating of '**SMERA A3**' (**read as SMERA A three**) on the above mentioned bank facilities of Scottish Chemical Industries (SCI).

The rating derives comfort from the extensive experience of the promoters in the chemical manufacturing business and healthy financial risk profile. The rating also draws support from the moderate liquidity, geographical presence and diversified product range. However, the rating is constrained by the moderate scale of operations, susceptibility of profit margins to fluctuations in raw material prices and partnership constitution of the firm.

SCI benefits from its experienced management. The partners possess around two decades of experience in the industry. The financial risk profile of SCI is marked by low gearing and high debt coverage indicators. The profitability margins stood at 10.75 per cent and the overall gearing has been 0.76 times for FY2015. The interest coverage ratio has been healthy at 7.75 times in FY2015. The working capital cycle for the period stood at 88 days. The Gross current asset in FY2015 is 100 days. The current ratio stands at 3.51 times while the cash and bank balance is Rs.1.53 crore as on 31 March 2015.

SCI manufacture and exports industrial chemicals such as degaser, grain refiners, foundry fluxes among others to around 40 countries. With raw materials accounting for around 79 per cent of net sales and the firm exporting around 59 per cent of its total sales, the profit margins remain exposed to volatility in raw material prices and forex rates. SCI has moderate scale of operations with revenue of Rs.81.66 crore in FY2015. Besides, SCI, being a partnership firm, is susceptible to capital withdrawal.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Management of working capital funds

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

#### About the Firm

SCI, established in 1984 by Mr. Kamal Khandelwal, Managing Partner manufactures and exports foundry chemicals through its five manufacturing units - four at Taloja and one in China.

The firm reported profit after tax (PAT) of Rs.8.41 crore on net sales of Rs.81.66 crore in FY2015 as against PAT of Rs.7.40 crore on net sales of Rs.56.87 crore in FY2014.

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