

Samrat Remedies Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	9.00	SMERA BB-/Stable (Assigned)
Letter of Credit	22.00	SMERA A4 (Assigned)
Bank Guarantee	0.50	SMERA A4(Assigned)
Bill of Exchange	3.00	SMERA A4(Assigned)

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short-term rating of '**SMERA A4' (read as SMERA A four)** to the Rs. 34.50 crore bank facilities of Samrat Remedies Limited (SRL). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management, moderate track record of operations and diversified product profile. The ratings are also strengthened by the efficient working capital management, backward integration and increase in sales volume. However, the ratings are constrained by the average financial risk profile, uneven profit margins and nascent stage of operations of ZH Chemicals Private Limited, a subsidiary of SRL.

SRL, incorporated in 2003, is engaged in the manufacture and export of fine chemicals and pharmaceuticals since 2005. The company is headed by Mr. Champak Parekh, Director who possesses more than two decades of experience in the industry. The company has a diversified product range including Potassium Iodide, Sodium Iodide, Potassium Bromide among others. SRL's working capital cycle is between 28 to 38 days. As on March 31, 2016, the GCA stood at 122 days with a credit period of 89 days. The volume sales of SRL increased evident from increase in capacity utilisation of iodine derivatives from 69.15 per cent in FY2014-15 to 80.12 per cent in FY2015-16. With an aim to benefit from backward integration, the promoters set up ZH Chemicals Private Limited (ZH Chemicals) in 2013 with installed capacity of 120 MT per annum to manufacture iodine. This was to be used as raw material by SRL for manufacture of iodine derivatives. The company commenced commercial operations in July 2016 to manufacture ~2.60 MT of iodine.

However, the profit margins of SRL have been uneven on account of fluctuations in the prices of iodine. The EBITDA margins fell from 4.47 per cent in FY2012-13 to 3.11 per cent in FY2013-14 and further registered an increase from 2.73 per cent in FY2014-15 to 3.15 per cent in FY2015-16 (Provisional). The net profit margins have shown a similar trend decreasing from 1.56 per cent in FY2012-13 to 0.40 per cent in FY2013-14. It fell further to 0.30 per cent in FY2014-15 and 0.25 per cent in FY2015-16 (Provisional). The ratings are further constrained by the average financial risk profile marked by TOL/TNW of 2.80 times as on March 31, 2016. Further, ICR stood at 1.59 times as on March 31, 2016. The gearing has been moderate at 1.20 times as on March 31, 2016. The networth of the company was moderate at Rs.8.86 crore as on March 31, 2016 as compared to Rs.7.81 crore during the previous year. Further, operations of ZH Chemicals are at a nascent stage.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that SRL will maintain a stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company registers higher than expected improvement in profit margins and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profit margins and the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SRL, incorporated in 2003 is engaged in the manufacture of iodine derivatives and has an installed capacity of 480 MT per annum. These are used by pharmaceutical companies as intermediates in the manufacture of Active Product Ingredients (API). The current capacity utilisation stands at 80 per cent.

For FY2015-16, SRL registered profit after tax (PAT) of Rs.0.39 crore on operating income of Rs.65.23 as compared to PAT of Rs. 0.20 crore on operating income of Rs.67.11 crore.

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ABOUT SMERA

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