

Press Release

SAMRAT REMEDIES LIMITED

04 January, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 34.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating on the Rs. 34.50 crore bank facilities of SAMRAT REMEDIES LIMITED to '**SMERA B+**' (**read as SMERA B plus**) and short term rating to '**SMERA A4**' (**read as SMERA A four**). The outlook is '**Stable**'.

Samrat Remedies Limited (SRL), incorporated in 2003, is engaged in the manufacture and export of fine chemicals and pharmaceuticals. The company is headed by Mr. Champak Parekh, Director who possesses more than two decades of experience in the industry. SMERA has taken a consolidated view of SRL and ZH Chemicals Private Limited (ZHC) (hereinafter referred to as "group") due to common management and significant business and financial linkages between the entities.

Key Rating Drivers

Strengths

- **Moderate track of operations.**

SRL was incorporated in 2003 and started commercial operations in 2005 while ZHC commenced commercial operations in 2016. The group manufactures and exports fine chemicals and pharmaceutical chemicals. SRL has forayed into the iodine/drug intermediate business and pharmaceutical chemical segment while ZHC is into manufacture of iodine, which is the raw material used to produce iodine derivatives by SRL. The company has an installed capacity of 4,800 MT per annum.

- **Experienced management.**

The group is managed by Mr. Champak Parekh, Director, possessing more than two decades of experience in the pharmaceutical industry. The group has long standing relationships with its clients and avails recurring demand from them.

Weaknesses

- **Moderation in revenues, low operating margins**

Revenues of the group declined by 18.29 percent to Rs. 51.58 crore in FY2017, affected by currency fluctuation. The EBITDA margin of the group was low at 3.74 percent in FY2017. The group reported net loss of Rs. 2.14 crore in FY2017 compared to net profit of Rs. 0.16 crore in FY2016.

- **Weak financial riskprofile**

The ratings are constrained by moderate networth of the group at Rs. 6.72 crore while gearing is stretched at 3.53 times as on 31 March, 2017. The Total Outside Liabilities to Total Net Worth (TOL/TNW) stood at 5.41 times as on 31 March, 2017. Further, the Interest Coverage Ratio (ICR) stood at 0.87 times and Debt Service Coverage Ratio (DSCR) at 0.82 times as on 31 March, 2017. SMERA believes that the improvement in the financial profile of the group would be a key sensitivity factor in the medium term.

Analytical Approach

SMERA has consolidated the risk profiles of the group companies, Samrat Remedies Limited and ZH

Chemicals Private Limited due to significant business and financial synergies among them.

Outlook: Stable

SMERA believes that the group will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case 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 the group's profit margins and financial risk profile.

About the Project

Not Applicable

About the Group

ZH Chemicals Private Limited

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	51.59	63.13	65.41
EBITDA	Rs. Cr.	1.94	2.09	1.79
PAT	Rs. Cr.	0.14	0.15	0.20
EBITDA Margin	(%)	3.75	3.31	2.73
PAT Margin	(%)	0.27	0.24	0.31
ROCE	(%)	10.34	10.50	19.07
Total Debt/Tangible Net Worth	Times	1.43	1.24	1.20
PBDIT/Interest	Times	1.43	1.54	1.63
Total Debt/PBDIT	Times	4.76	4.21	4.28
Gross Current Assets (Days)	Days	197	154	134

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Consolidation Of Companies - <https://www.smerra.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
17-Oct-2016	Cash Credit	Long Term	INR 9	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 22	SMERA A4
	Bank Guarantee	Short Term	INR 0.5	SMERA A4

	Bills Discounting	Short Term	INR 3	SMERA A4
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*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

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ABOUT SMERA

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