

Press Release

Ambica Chemicals

May 02, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 7.50 crore bank facilities of Ambica Chemicals. The outlook is '**Stable**'.

Ambica Chemicals (AC) is a proprietorship firm established by Mr. A N Chaudhari and Mr. Hiren A Chaudhari in 1989. The firm was engaged in the trading of pharmaceutical intermediaries. From July 2016, AC began manufacturing of bulk drugs such as Nebivolol HCL, Pioglitazone HCL, Sitagliptine, Desloratadine among others. The manufacturing facility is located at Ankleshwar, Gujarat. The average installed capacity of the firm stands at 4 ton per month.

Key Rating Drivers

Strengths

- **Experienced management**

AC, established in 1989, began manufacturing of pharma intermediates from July 2016. The overall operations are managed by Mr Amratlal Chaudhari who possesses experience of over two decades in the chemical industry. The firm caters to Cadila Pharmaceuticals Limited.

- **Easy access to raw material, power and fuel**

The firm benefits from its proximity to raw materials, transport facility, labour and effluent treatment facilities since the manufacturing facility is located near Ankleshwar, Gujarat - one of the largest chemical clusters in India.

Weaknesses

- **Susceptibility of margins to volatility in raw material prices**

The prices of raw material i.e. pharma chemicals and solvents, inorganic chemicals, organic chemicals, pigments etc is market driven. As a result, there exists much pressure on the margins of the manufacturer.

- **Presence in the highly fragmented industry**

The firm is exposed to intense competition in the pharma industry with the presence of numerous organised as well as unorganised players.

- **Moderate scale of operations**

The scale of operations of the firm is moderate evident from the revenue of Rs. 4.85 cr for FY2015-16 as compared to Rs. 15.57 cr for FY2014-15. The same is due to closure of trading activities and commencement of manufacturing activities from July 2016. The firm booked revenue of Rs. 28.35 cr until January 2017 with net profit of Rs.0.30 cr (provisional).

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the firm.

Outlook: Stable

SMERA believes that AC will maintain a stable outlook and benefit over the medium term from its established presence in the pharmaceutical industry. The outlook may be revised to 'Positive' in case the firm registers higher than expected improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profit margins.

About the Rated Entity - Key Financials

For FY2015-16, AC reported profit after tax (PAT) of Rs. (1.20) cr on operating income of Rs.4.85 cr as compared with PAT of Rs.0.03 cr on operating income of Rs.15.57 cr for FY2014-15. The net worth as on 31 March, 2016 stood at Rs.2.46 cr as compared to Rs.2.74 cr as on 31 March, 2015.

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

CARE has suspended, with immediate effect from February 22, 2016, the ratings assigned to the bank facilities of Ambica Chemicals. The ratings have been suspended, as the firm has not furnished the information required by CARE for monitoring of the rating.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	1-Mar-2019	5.00	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.38	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.12	SMERA B+ / Stable

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ABOUT SMERA

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