

Press Release

Sri Chaitanya Chlorides Private Limited

21 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B/ Outlook: Stable
Short Term Rating	SMERA A4

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 12.00 crore bank facilities of Sri Chaitanya Chlorides Private Limited. The outlook is '**Stable**'.

Sri Chaitanya Chlorides Private Limited (SCCPL) was incorporated in 1999 by Directors, Sri Ramakrishna Durga Prasad Partiwadi, Mr. KS Reddy and Mr. CS Reddy. The company is engaged in the manufacture of intermediate chemicals (used for bulk drugs, pesticides, dyes and dyes intermediates) at Medak, Telangana.

List of key rating drivers and their detailed description

Strengths

• Experienced management

SCCPL was incorporated in 1999 by Sri Ramakrishna D P Partiwadi, Mr. KS Reddy and others. The promoters have long standing experience of more than a decade in the business of intermediates (mainly fertilisers, insecticides and pharmacy) manufacturing.

• Comfortable financial risk profile

The financial risk profile is marked by low net worth, comfortable debt protection measures and modest net worth base. The gearing improved to a low of 0.75 times in FY2016 compared to 0.814 times in FY2015, on account of decrease in both, long term and short term borrowings. The interest coverage ratio decreased, but still stood comfortable at 3.92 times in FY2016 compared to 5.57 times in FY2015 on account of fall in profitability. The DSCR stood at 2.51 times in FY2016 compared to 3.68 times in FY2015. The net worth stood modest at Rs.12.59 crore in FY2016. The NCA/TD stood comfortable at 0.336 times in FY2016.

Weaknesses

• Fluctuating revenues

Over the last three financial years, the revenue has been fluctuating. The company registered revenue of Rs.31.60 crore in FY2016, Rs.53.22 crore in FY2015 and Rs.44.44 crore in FY2014. The revenue decreased by 40 percent in FY2016 with its major customer, Bhagiradha Chemicals (generated 60 percent revenue) shutting down operations in FY2016. On account of stringent regulations, the company has now shifted to manufacturing of pharmaceutical intermediaries rather than fertilisers. The company registered revenue of around Rs.40 crore in FY2017, of which around 70 percent is from sale of pharmaceutical intermediaries.

• Working capital intensive operations

The operations are working capital intensive marked by working capital cycle of 10 days in FY2017 (Provisional). The Gross Current Asset days stood at a high of 260 days and 205 days in FY2016 and FY2015 respectively. Such high GCA days is mainly due to the high debtor days (202 days and 156 days in FY2016 and FY2015 respectively). The creditor days have been high at 224 days in FY2016 and 194 days in FY2015. The liquidity is also stretched with 95 per cent utilisation of cash credit facility.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of company.

Outlook: Stable

SMERA believes that the outlook on SCCPL will remain stable over the medium term backed by its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the envisaged revenue, profitability, stretch in the working capital cycle or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

The company reported PAT of Rs 0.46 crore on operating income of Rs.31.60 crore in FY2016 compared to PAT of Rs.0.97 crore on operating income of Rs.53.22 crore in FY2015.

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

NA

Any other information

NA

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

***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	6.00	SMERA B/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA B/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4 (Assigned)

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ABOUT SMERA

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