

July 16, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B/Stable (upgraded from SMERA B-/Stable)

SMERA has upgraded the rating on the Rs.7.00 crore bank facility of Solvents and Chemicals (S&C) to **'SMERA B' (read as SMERA single B)** from 'SMERA B-'. The outlook is **'Stable'**. The upgrade reflects improvement in the firm's financial risk profile. The rating remains constrained by the firm's low net profit margin amidst intense competition in the chemical trading business. However, the rating continues to draw comfort from the firm's long track record of operations, experienced management and established associations with suppliers and customers.

S&C, established in 1978, is a Kochi-based dealer of products manufactured by Bharat Petroleum Corporation Limited (BPCL) and Hindustan Organic Chemicals Limited (HOCL). S&C is engaged in trading of acetone, toluene and mineral turpentine oil. The firm's gearing (debt-to-capital ratio) reduced from 7.02 times as on March 31, 2012 to 2.60 times (provisional) as on March 31, 2014. S&C's interest coverage ratio has increased from 1.06 times in FY2012-13 (refers to financial year, April 01 to March 31) to 1.44 times (provisional) in FY2013-14. S&C's net profit margin is low at 0.52 per cent (provisional) in FY2013-14. The firm faces intense competition from several players in the chemical industry.

S&C continues to benefit from its experienced management. Mr. V. M. Jalaludeen, partner of S&C, has around three decades of experience in the firm's line of business. S&C also benefits from its long-standing relations with suppliers and customers.

Outlook: Stable

SMERA believes S&C will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while ensuring timely recovery of receivables. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's liquidity position on account of delays in recovery of dues from customers.

About the firm

S&C, established in 1978, is a Kochi-based partnership firm engaged in distribution of products manufactured by BPCL and HOCL. S&C undertakes trading of acetone, toluene and mineral turpentine oil. The firm caters to the requirements of paints and pharmaceutical industries. S&C's

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SMERA RATINGS LIMITED

Solvents and Chemicals (S&C)

*Rating
Rationale*

customers are based in Tamil Nadu, Kerala, Andhra Pradesh and Maharashtra. The overall operations of the firm are currently managed by Mr. V. M. Jalaludeen. S&C has a branch office in Coimbatore, Tamil Nadu.

For FY2013-14 (as per provisional financial statements), S&C reported net profit of Rs.0.22 crore on a total income Rs.41.84 crore, as compared with net profit of Rs.0.02 crore on total income of Rs.37.94 crore in FY2012-13. The firm's net worth stood at Rs.1.53 crore (provisional) as on March 31, 2014, as compared with Rs.1.16 crore a year earlier.

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