

January 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit (proposed)	3.00	SMERA B/Stable (Assigned)
Letter of Credit (proposed)	7.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (**read as SMERA single B**) and a short-term rating of '**SMERA A4**' (**read as A four**) to the Rs.10.00 crore bank facilities of Shlok Chemicals (Shlok). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and diversified clientele. However, the ratings are constrained by the company's high debt-equity ratio and low profitability. The ratings are also constrained by the company's exposure to intense competition in the chemical industry.

Shlok, established in 1996, is a Mumbai-based proprietorship concern engaged in trading of chemicals, solvents and drugs. Shlok benefits from its experienced management. Mr. Kaushal Shah, proprietor of Shlok, has around 18 years of experience in the chemical industry. The firm has a diversified clientele comprising entities in pharmaceutical and food and beverages sectors.

Shlok's debt-equity ratio is high at 5.56 times (provisional) as on November 30, 2014. The firm's operating profit margin declined from 1.64 per cent in FY2012-13 to 1.59 per cent in FY2013-14, while the net profit margin declined from 0.79 per cent to 0.63 per cent during the same period. Shlok operates in an intensely competitive segment of the chemical industry.

Outlook: Stable

SMERA believes Shlok will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and diversified product portfolio. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenues with significant improvement in profit margins and capital structure. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in the firm's revenues and profit margins, or in case of deterioration in the firm's capital structure.

About the firm

Shlok (formerly known as Rose Chemicals) is a Mumbai-based proprietorship concern established in 1996. Shlok undertakes trading of chemicals, solvents and drugs. The firm's product portfolio includes citric acid, momo sodium glutamate, methylene di chloride, eva and titanium dioxide.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

For FY2013-14, Shlok reported profit after tax (PAT) of Rs.0.43 crore on operating income of Rs.67.19 crore, as compared with PAT of Rs.0.39 crore on operating income of Rs.49.74 crore in FY2012-13. The firm's net worth stood at Rs.2.28 crore as on March 31, 2014, as compared with Rs. 1.78 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President - Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President - Rating Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.