

**July 08, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B/Stable (Reaffirmed)
Term Loan	4.00	SMERA B/Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA B**' (read as **SMERA single B**) on the Rs.10.00 crore bank facilities of Shemrock Organics Private Limited (SOPL). The outlook is '**Stable**'. The rating remains constrained by the company's small-scale operations, low net worth and working capital-intensive business. The rating notes that the company's profit margins are susceptible to volatility in raw-material prices and fluctuations in foreign exchange rates. The rating is also constrained by the company's exposure to intense competition. However, the rating draws comfort from the company's healthy operating profit margin and experienced management.

Update

SOPL reported net cash accruals of Rs.0.67 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with net cash accruals of Rs.0.52 crore in the previous year. The company reported profit after tax (PAT) of Rs.0.50 crore on revenue of Rs.21.94 crore, as compared with PAT of Rs.0.40 crore on revenue of Rs.17.24 crore in FY2012-13. SOPL's net worth stood at Rs.4.79 crore as on March 31, 2014, as compared with Rs.2.45 crore a year earlier.

SOPL's operations are working capital-intensive. The firm's working capital cycle is stretched at 147 days in FY2013-14 on account of high inventory levels of ~153 days. SOPL's utilisation of working capital limit was high at ~100 per cent during October 2014 to March 2015.

Outlook: Stable

SMERA believes SOPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while achieving sustained improvement in profit margins, capital structure and liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues and profit margins, or in case of stretch in the company's liquidity position.

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SMERA RATINGS LIMITED

Shemrock Organics Private Limited (SOPL)

*Rating
Rationale*

About the company

SOPL, incorporated in 2007, is a Chandigarh-based company promoted by Mr. G. S. Chawla. SOPL undertakes production and trading of chlorinated paraffin wax and hydrochloric acid used in manufacturing of footwear and cables.

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