

APRIL 05, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF DENIS CHEM LAB LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	22.51	CARE BB+ (Double B Plus)	Reaffirmed
Long-term/ Short -term Bank Facilities	15.45	CARE BB+/ CARE A4 (Double B Plus/ A Four)	Reaffirmed
Short-term Bank Facilities	5	CARE A4 (A Four)	Reaffirmed
Total Facilities	42.96 [Rupees Forty Two crore and Ninety Six lakh only]		

Rating Rationale

The ratings assigned to the bank facilities of Denis Chem Lab Limited (DCLL) continue to remain constrained due to its moderate scale of operations, leveraged capital structure, moderate debt coverage indicators and modest liquidity position along with working capital intensive nature of operations and presence in a highly competitive pharmaceutical industry.

The ratings continue to derive strength from the rich experience of the promoters in the pharmaceutical industry, long track record of operations and strong marketing & distribution network. The reaffirmation of ratings also factor in the on-going debt-funded expansion project and improvement in operating profit and deterioration in capital structure, debt coverage indicators and liquidity position during FY15 (refers to the period of April 1 to March 31).

The ability of DCLL to complete its on-going project within envisaged time and cost parameters, increase its scale of operations and improvement in profitability and capital structure along with better working capital management are the key rating sensitivities.

Background

DCLL was incorporated in July 1980 as Denis Chem Lab Private Limited by Mr Himanshu C Patel, Mr Nirmal H Patel, Mr Anar D Patel and other family members. Subsequently, in April 1982, DCLPL was converted into a closely-held public limited company with the name of DCLL. DCLL is engaged into manufacturing of I.V Fluids both in Glass and Plastic bottles using the BFS (Blow Fill Seal) technology. DCLL's WHO-GMP certified manufacturing unit is located at Chhatral (Gandhinagar) and has installed capacity for producing Transfusion Solution (T.S) in Glass bottles of 21.84 million bottles per annum and for Plastic bottles of 48.72 million bottles per annum as on March 31, 2015.

Group companies of DCLL are Denis Finance Ltd (engaged in manufacturing of plastic hangers), Denis Packaging (engaged in the manufacturing of pharmaceutical packing material) and Hemavati Traders Private Ltd which are marketing arm of DCLL.

During FY15, DCLL reported a total operating income (TOI) of Rs.77.14 crore (FY14: Rs.67.59 crore) and a PAT of Rs.0.08 crore (FY14: Rs.1.25 crore). As per the provisional results for 9MFY16, DCLL reported a net loss of Rs.1.26 crore on a TOI of Rs.74.31 crore.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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