# Denis Chem Lab Limited

March 22, 2018

**Ratings**

| Facilities | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term Bank Facilities | 15.09 (reduced from Rs.18.46 crore) | **CARE D (Single D)** | **Revised from CARE BB+; Positive (Double B Plus; Outlook: Positive)** |
| Long/Short-term Bank Facilities | 15.45 | **CARE D/ CARE D (Single D/ Single D)** | **Revised from CARE BB+; Positive/ CARE A4 (Double B Plus; Outlook: Positive/ A Four)** |
| Short term Bank Facilities | 5.00 | **CARE D (Single D)** | **Revised from CARE A4 (A Four)** |
| **Total** | **35.54 (Rupees Thirty Five Crore and Fifty Four Lakh Only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale& Key Rating Drivers**

The revision in the ratings assigned to the bank facilities of Denis Chem Lab Limited (DCLL) takes into account reported delays in the servicing of debt obligation as per the audit report for the year ended March 31, 2017 due to tight liquidity.
CARE also takes note of infusion of equity capital on private placement basis during March 2017 leading to improvement in liquidity and capital structure as on March 31, 2017. With this, the company demonstrated more than 10 months of regular debt servicing track record and there are no on-going delays.

**Detailed description of the key rating drivers**

**Key Rating Weakness**

**Delays reported in servicing of debt obligation:** As reported in Audit report for the year ended March 31, 2017, DCLL has made certain delays in the repayment of debt obligation during FY17 due to stressed liquidity.

**Key Rating Strength**

**Infusion of equity leading to improvement in liquidity:** The Company had raised equity capital on private placement basis of Rs.16.50 crore during March 2017 and with infusion of equity, the liquidity of the company improved. Apart from equity raised during FY17, the company has also raised equity by way of rights issue during FY18 amounting to Rs.19 crore which is being utilized for capex. With two around of equity infusion, the net-worth base of the company also strengthens leading to improvement in capital structure.

**Analytical approach:** Standalone

**Applicable Criteria**

Criteria on assigning Outlook to Credit Ratings
Criteria for Short Term Instruments
CARE's Policy on Default Recognition
CARE's methodology for manufacturing companies
CARE's methodology for Pharmaceutical Companies
Financial ratios – Non-Financial Sector

**About the Company**

DCLL was incorporated in July, 1980 as Denis Chem Lab Private Limited (DCLPL) 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 Intravenous Fluids (IVF) 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 and Plastic bottles aggregating to 85 million bottles per annum as on March 31, 2017.

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

(Rs. Crore)

| Brief Financials of DCLL | FY16 (A) | FY17 (A) |
|---|---|---|
| Total operating income | 100.09 | 113.98 |
| PBILDT | 8.93 | 14.54 |
| PAT | -3.46 | 2.08 |
| Overall gearing (times) | 2.69 | 1.33 |
| PBILDT Interest coverage (times) | 1.33 | 2.51 |

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|
| Fund-based - LT/ ST-CC/PC/Bill Discounting | NA | NA | NA | 11.70 | CARE D / CARE D |
| Non-fund-based - ST-Letter of credit | NA | NA | NA | 4.75 | CARE D |
| Non-fund-based - LT/ ST-Bank Guarantees | NA | NA | NA | 3.75 | CARE D / CARE D |
| Fund-based - LT-Term Loan | NA | NA | January 2021 | 5.92 | CARE D |
| Fund-based - LT-Term Loan | NA | NA | April 2021 | 5.17 | CARE D |
| Non-fund-based - ST-Forward Contract | NA | NA | NA | 0.25 | CARE D |
| Fund-based - LT-Cash Credit | NA | NA | NA | 4.00 | CARE D |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT/ ST-CC/PC/Bill Discounting | LT/ST | 11.70 | CARE D / CARE D | 1)CARE BB+; Positive / CARE A4 (27-Apr-17) | 1)CARE BB+ / CARE A4 (05-Apr-16) | 1)CARE BB+ / CARE A4 (03-Apr-15) | 1)CARE BB+ / CARE A4 (03-Apr-14) |
| 2. | Non-fund-based - ST-Letter of credit | ST | 4.75 | CARE D | 1)CARE A4 (27-Apr-17) | 1)CARE A4 (05-Apr-16) | 1)CARE A4 (03-Apr-15) | 1)CARE A4 (03-Apr-14) |
| 3. | Non-fund-based - LT/ ST-Bank Guarantees | LT/ST | 3.75 | CARE D / CARE D | 1)CARE BB+; Positive / CARE A4 (27-Apr-17) | 1)CARE BB+ / CARE A4 (05-Apr-16) | 1)CARE BB+ / CARE A4 (03-Apr-15) | 1)CARE BB+ / CARE A4 (03-Apr-14) |
| 4. | Fund-based - LT-Term Loan | LT | 5.92 | CARE D | 1)CARE BB+; Positive (27-Apr-17) | 1)CARE BB+ (05-Apr-16) | 1)CARE BB+ (03-Apr-15) | 1)CARE BB+ (03-Apr-14) |
| 5. | Fund-based - LT-Term Loan | LT | 5.17 | CARE D | 1)CARE BB+; Positive (27-Apr-17) | 1)CARE BB+ (05-Apr-16) | 1)CARE BB+ (03-Apr-15) | 1)CARE BB+ (03-Apr-14) |
| 6. | Non-fund-based - ST-Forward Contract | ST | 0.25 | CARE D | 1)CARE A4 (27-Apr-17) | 1)CARE A4 (05-Apr-16) | 1)CARE A4 (03-Apr-15) | 1)CARE A4 (03-Apr-14) |
| 7. | Fund-based - LT-Cash Credit | LT | 4.00 | CARE D | 1)CARE BB+; Positive (27-Apr-17) | 1)CARE BB+ (05-Apr-16) | - | - |

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