

January 05, 2015

## CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SANGINITA CHEMICALS PRIVATE LIMITED

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term/Short-term Bank Facilities	22.00	<b>CARE BB+/CARE A4+ (Double B Plus/A Four Plus)</b>	Reaffirmed
<b>Total Facilities</b>	<b>22.00</b>		

**Rating Rationale**

The ratings continue to remain constrained by the modest scale of operations of Sanginita Chemicals Private Limited (SCPL) along with its modest operating margins, high working capital intensity and moderate leverage, albeit improved as on March 31, 2014. The ratings are further constrained due to susceptibility of its profitability to volatile raw material prices and need for regular compliance with stringent pollution control norms.

The ratings, however, derive strength from experience of the promoters and its established presence in the domestic market for metal-based inorganic chemical intermediates. The ratings also factor marginal improvement in its operating performance during 6MFY15 (refers to the period April 1 to September 30).

SCPL's ability to increase its scale of operations and improve its profitability by successfully managing raw material price volatility and foreign exchange rate fluctuation; and improve its capital structure while continually complying with the requisite environmental regulations would be the key rating sensitivities.

**Background**

Incorporated in 2005, SCPL is promoted by Mr Dinesh B. Chavada and his son Mr Vijaysinh Chavada to manufacture metal-based inorganic chemical intermediates at Chhatral, Gandhinagar, Gujarat. SCPL started operations through taking over the business of M/s. Sanginita Chemicals, engaged in the manufacturing of mainly two metal-based inorganic chemicals intermediates, viz, cuprous chloride and cupric chloride (anhydrous and di-hydrate) with production capacity of 1,800 metric ton per annum (MTPA). Over the period of time, the company had regularly expanded its manufacturing capacity and as on March 31, 2014, the company has installed capacity of 12,200 MTPA, which is capable to manufacture 20 metal-based inorganic chemicals from different metals like copper, tin, cobalt, zinc and nickel, etc.

During FY14 (refers to the period April 1 to March 31), SCPL reported a total operating income of Rs.119.02 crore with a PAT of Rs.0.85 crore as against a total operating income of Rs.96.50 crore with a PAT of Rs.0.56 crore in FY13. Comparing its performance as per audited results for FY14 with the provisional results for 9MFY14 it is observed that SCPL had incurred a net loss of Rs.0.83 crore on a TOI of Rs.29.10 crore during Q4FY14. As per the provisional results for H1FY15, SCPL reported TOI, PBILDT and PAT of Rs.58.73 crore, Rs.2.08 crore and Rs.0.87 crore, respectively.

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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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