

February 12, 2014

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	22	CARE BB+ [Double B Plus]	Reaffirmed
Short-term Bank Facilities	0.70	CARE A4+ [A Four Plus]	Assigned
Total Facilities	22.70		

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. 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 the 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 9MFY14 (refers to the period April 1 to December 31).

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 Dineshsinh Chavada and his son Mr Vijaysinh Chavada to manufacture metal-based inorganic chemicals intermediates at Chhatral, Gandhinagar, Gujarat. SCPL started operations by 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 Tonne Per Annum (MTPA). As on December 31, 2013, SCPL had an installed manufacturing capacity of 12,200 MTPA of 20 metal-based inorganic chemicals from non-ferrous metals like copper, tin, cobalt, zinc, nickel, etc. During FY14 (refers to the period April 1 to March 31), SCPL has consolidated its manufacturing facilities at a single location in Chhatral GIDC, Gujarat.

During FY13, SCPL reported a TOI of Rs.96.50 crore (FY12: Rs.107.01 crore) and a PAT of Rs.0.56 crore (FY12: Rs.1.59 crore). As per the provisional results for 9MFY14, SCPL reported a TOI of Rs.89.92 crore and PAT of Rs.1.67 crore.

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

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