

July 16, 2013

**CARE ASSIGNS 'CARE BB+' RATING TO THE BANK FACILITIES OF SANGINITA CHEMICALS PRIVATE LIMITED**

**Rating**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	25	CARE BB+ [Double B Plus]	Assigned
<b>Total Facilities</b>	<b>25</b>		

**Rating Rationale**

The rating is constrained by the modest scale of operations of Sanginita Chemicals Private Limited (SCPL), high working capital intensity of its operations and high leverage. The rating is further constrained by the susceptibility of its already modest operating margins to volatile raw material prices and probable impact of stringent pollution compliance norms on its operations.

The rating, however, derives comfort from the experience of the promoters, consistent growth in operations and its established presence in the domestic market.

The ability of SCPL to improve its profitability and capital structure, along with increase in scale of operations, 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 chemical intermediates at Chattral, Gandhinagar, Gujarat. SCPL commenced operations by taking over the existing business of M/s Sanginita Chemicals (a proprietorship concern), engaged in the manufacturing of mainly two metal-based inorganic chemical intermediates viz Cuprous Chloride and Cupric Chloride (Anhydrous and Dihydrate), having production capacity of 1,800 Metric Ton Per Annum (MTPA). As on March 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 FY12 (refers to the period April 1 to March 31), SCPL reported total operating income of Rs.107.01 crore with a PAT of Rs.1.59 crore as against a total operating income of Rs.104.86 crore with a PAT of Rs.1.53 crore in FY11. As per the provisional results for 9MFY13, SCPL reported a PAT of Rs.1.63 crore on a total operating income of Rs.81.79 crore.

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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

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