

NOVEMBER 04, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	22	CARE BB+/CARE A4+ (Double B Plus/ A Four Plus)	Reaffirmed
Total Facilities	22 (Rupees Twenty Two crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Sanginita Chemicals Private Limited (SCPL) continue to be constrained by its modest scale of operations in metal-based inorganic chemical intermediates segment and thin profitability on account of relatively lower value-added products; and moderate leverage. The ratings are further constrained due to high working capital intensity of operations and 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 resourceful and experienced promoters and its established and strong customer profile in the domestic market. The ratings also factor the improvement in its operating performance during H1FY16 (refers to the period April 1 to September 30).

The ability of SCPL to scale up its operations along-with improvement in profitability through efficiently managing raw material price volatility; and improvement in its capital structure while continually complying with the requisite environmental regulations would be the key rating sensitivities.

Background

Incorporated in 2005, Gandhinagar-based SCPL was promoted by Mr Dinesh B. Chavada and his son Mr Vijaysinh Chavada by taking over the business of M/s. Sanginita Chemicals, which was 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, SCPL had regularly expanded its manufacturing capacity and as on March 31, 2015, SCPL had an installed capacity of 12,200 MTPA, which is capable to manufacture 20 metal-based inorganic chemicals from different metals like copper, tin, cobalt, zinc, nickel, etc.

During FY15 (refers to the period April 1 to March 31), SCPL reported a total operating income (TOI) of Rs.128.83 crore with a PAT of Rs.1 crore as against TOI of Rs.119.02 crore with a PAT of Rs.0.84 crore in FY14. As per the provisional results for H1FY16, SCPL reported TOI and PAT of Rs.81.26 crore and Rs.1.13 crore, respectively.

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

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

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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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