

NOVEMBER 07, 2016

**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 Bank Facilities	1.00	<b>CARE BB+ (Double B Plus)</b>	Reaffirmed
Short term Bank Facilities	2.25	<b>CARE A4+ (A Four Plus)</b>	Reaffirmed
Long term / Short term Bank Facilities	25.00	<b>CARE BB+ / CARE A4+ (Double B Plus / A Four Plus)</b>	Reaffirmed
<b>Total Facilities</b>	<b>28.25</b> <b>(Rupees Twenty Eight crore and Twenty Five lakh only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Sanginita Chemicals Private Limited (SCPL) continue to be constrained by its 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 its operations and susceptibility of its profitability to volatile raw material prices and strict pollution control norms.

The ratings, however, derive strength the growth in its scale of operations in metal-based inorganic chemical intermediates segment, strong customer profile and resourceful and experienced promoters.

The ability of SCPL to scale up its operations along-with improvement in profitability in light of high volatility in raw material prices; and improvement in its capital structure 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 tonne per annum (MTPA).

Over the period of time, SCPL had regularly expanded its manufacturing capacity and as on March 31, 2016, 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 and nickel.

Based on audited results for FY16 (refers to the period April 1 to March 31), SCPL reported a total operating income (TOI) of Rs.144.28 crore with a PAT of Rs.1.10 crore as against a TOI of Rs.128.83 crore with a PAT of Rs.1.00 crore during FY15. Furthermore, as per the provisional results for H1FY17, SCPL reported TOI of Rs.81.23 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

**\*\*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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