

NOVEMBER 10, 2015

CARE REAFFIRMS 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	23	CARE BB+/CARE A4+ (Double B Plus/ A Four Plus)	Reaffirmed
Short-term Bank Facilities	1	CARE A4+ (A Four Plus)	Assigned
Total Facilities	24 (Rupees Twenty Four 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.

Analyst Contact

Name: Mr Kalpesh Patel

Tel: 079-40265611

Cell: +91-9909026322

Email: kalpesh.patel@careratings.com

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

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

CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

JAIPUR**Mr. Rakesh Jayaraman**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

BENGALURU**Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

KOLKATA**Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

CHANDIGARH**Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

PUNE**Mr. Rahul Patni**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD**Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com