

Rating Advisory

December 21, 2022 | Mumbai

Samrat Pharmachem Limited

Update as on December 21, 2022

This rating advisory is provided in relation to the rating of Samrat Pharmachem Limited

The key rating sensitivity factors for the rating include:

Upward factor

- Sustained cash accruals over Rs. 10 cr on steady basis.
- Continued improvement in the financial profile

Downward factor

- Decline in scale of operations or pressure on margin to leading to net cash accrual lower than Rs. 6 crores
- Large debt-funded capital expenditure or substantial increase in its working capital requirements thus weakening its liquidity, financial profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Samrat Pharmachem Limited (SPL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If SPL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

SPL was incorporated in June 1992, in Gujarat. It is promoted by Mr. Lalit Mehta and Mr. Rajesh Mehta. The Company is engaged in manufacturing Iodine compounds that finds its application in pharmaceutical, FMCG, Animal Feed, Chemicals, Agrochemicals. The company became a public limited company in 1995 and is listed on Bombay Stock Exchange.

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Rating Rationale

April 26, 2022 | Mumbai

Samrat Pharmachem Limited

'CRISIL BBB-/Stable/CRISIL A3' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.30 Crore
Long Term Rating	CRISIL BBB-/Stable (Assigned)
Short Term Rating	CRISIL A3 (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL BBB-/Stable/CRISIL A3**' ratings to the bank facilities of Samrat Pharmachem Limited (SPL).

The rating reflects the established market presence, moderate working capital cycle and above average financial profile. These strengths are partially offset by its susceptibility to volatility in raw material prices and forex rates.

Key Rating Drivers & Detailed Description

Strengths

Established market presence: The company has long presence of 3 decades in manufacturing of iodine derivatives and has developed keen understanding of market dynamics and healthy relationships with suppliers and customers. Over the years SPL has increased its product range catering to various industrial segments like pharmaceutical, fast moving consumer goods, Animal Feed, and Agrochemicals among other. SPL is a leading domestic player its area of operations and generating healthy return on capital employed (RoCE) around 23% over the last couple of fiscals to fiscal 2021.

Moderate working capital cycle: SPL has moderate working capital cycle with gross current assets (GCA) around 3 months driven by receivables of around 2 months and inventory of around a month.

Above average financial profile: SPL has healthy capital structure with net worth and total outside liabilities to adj tangible networth (TOL/ANW) of Rs. 29.6 cr and 0.94 as on March 31, 2021. SPL's debt protection measures are healthy supported by low leverage and moderate profitability. The interest coverage and net cash accrual to total debt (NCATD) ratio stood at 6.96 times and 0.66 times for fiscal 2021. With the improved scale and margin in fiscal 2022, SPL's overall financial profile is estimated to have further consolidated in the year.

Weaknesses

Susceptibility to volatility in raw material prices: SPL customer base primarily comprises much larger, established players with SPL enjoying limited pricing power. Further, the processing done by SPL is not much complex and can be replicated by others, restraining the profitability. Moreover, the prices of major raw material iodine remain volatile as per global demand and supply; this can partially impact profitability. The company's operating profitability has remained volatile in range of 6-3.2 % over last 4 years ended fiscal 2021.

Vulnerability of operating margin to fluctuations in forex rates: Since majority of procurement comes from the international market, any sharp fluctuation in forex rates affects procurement cost and accrual. This exposes the operating margin to fluctuations in forex rates.

Liquidity: Adequate

SPL's liquidity is backed by healthy cash accruals, steady working capital cycle, low bank limit utilization and healthy financial flexibility. SPL generate annual accruals of Rs. 5-6 cr in fiscal 2021, fiscal 2020 against its nominal repayment obligation below Rs. 0.5 cr. In fiscal 2022, the accruals are estimated to rise over 2 fold backed by improved margin and revenue. Against this, the company does not have any term debt obligation. SPL's moderate and steady working capital

cycle of around 3 months results in moderate bank limit utilization of below 35% (on sanctioned limits of Rs. 12 cr). SPL low leverage provides it healthy financial flexibility to raise debt in case of any exigency. Further, the company does not have any significant capex plans.

Outlook: Stable

CRISIL Ratings believe SPL will continue to benefit from the extensive experience of its promoter, and its well-entrenched market presence.

Rating Sensitivity Factors

Upward factor

- Sustained cash accruals over Rs. 10 cr on steady basis.
- Continued improvement in the financial profile

Downward factor

- Decline in scale of operations or pressure on margin to leading to net cash accrual lower than Rs. 6 crores
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About the Company

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Key Financial Indicators

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs crore	179	138
Reported profit after tax	Rs crore	5.3	4.2
PAT margins	%	3.0	3.1
Adjusted Debt/Adjusted Networkth	Times	0.30	0.39
Interest coverage	Times	6.96	7.36

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	12	NA	CRISIL BBB-/Stable
NA	Foreign Exchange Forward	NA	NA	NA	2	NA	CRISIL A3
NA	Letter of Credit	NA	NA	NA	16	NA	CRISIL A3

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	14.0	CRISIL BBB-/Stable / CRISIL A3	11-03-22	Withdrawn (Issuer Not Cooperating)*		--	31-10-20	CRISIL BB+/Stable		--	--
			--	31-01-22	CRISIL BB+/Stable(Issuer Not Cooperating)*		--		--		--	--
Non-Fund Based Facilities	ST	16.0	CRISIL A3		--		--		--		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	12	ICICI Bank Limited	CRISIL BBB-/Stable
Foreign Exchange Forward	2	ICICI Bank Limited	CRISIL A3
Letter of Credit	16	ICICI Bank Limited	CRISIL A3

This Annexure has been updated on 26-Apr-2022 in line with the lender-wise facility details as on 26-Apr-2022 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Recognising Default
CRISILs Criteria for rating short term debt
Understanding CRISILs Ratings and Rating Scales

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