

Rating Advisory

January 11, 2022 | Mumbai

Samrat Pharmachem Limited

Advisory as on January 11, 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 factors

- Sustained increase in revenue and stable operating margin above 6% leading to higher cash accrual
- Efficient working capital management, indicated by gross current assets of 90 days or lower

Downward factors

- Significant decline in revenue and operating margin below 3%
- GCAs increasing to more than 160 days over the medium term

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 & Mr. Rajesh Mehta. The Company is engaged in manufacturing Iodine compounds that finds its application in Pharmaceutical, FMCG, Animal Feed, Chemicals and Agrochemicals. The company became a public limited company in 1995 and is listed on Bombay Stock Exchange.

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Rating Rationale

October 31, 2020 | Mumbai

Samrat Pharmachem Limited

'CRISIL BB+/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.10 Crore
Long Term Rating	CRISIL BB+/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its 'CRISIL BB+/Stable' rating to the long term bank facilities of Samrat Pharmachem Limited (SPL).

The ratings reflect the extensive experience of the promoters in the chemicals industry, and the company's above average financial risk profile. These strengths are partially offset by a moderate scale of operations and susceptibility to volatility in raw material prices.

Key Rating Drivers & Detailed Description

Strengths:

* Extensive experience of the promoters

The promoters have experience of over 30 years in the industry. This has given them an understanding of the market dynamics and helped to establish strong relationships with suppliers and customers. Over the years SPL has increased its product range catering to various industrial segments of Pharmaceutical, FMCG, Animal Feed, and Agrochemicals among others.

* Above average financial risk profile

Low gearing estimated at 0.4 time and total outside liabilities to adjusted network (TOLANW) estimated at 1.4 times on a network base of over Rs 24 crore as on March 31, 2020, depicts a healthy capital structure. Debt protection metrics are healthy with interest coverage ratio and net cash accruals to adjusted debt estimated at above 6.4 times and 0.49 time respectively for fiscal 2020. The financial risk profile is expected to remain strong in absence of any major capex, and steady accretions.

Weakness:

* Susceptibility to volatility in raw material prices

SPL supplies to reputed pharmaceutical and bio-tech companies in India and abroad with which it has limited bargaining power. 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 2.1% - 6.6% over last 5 years ended fiscal 2020.

* Moderate scale of operations

Business profile is constrained by its moderate scale of operations in the intensely competitive chemicals industry. The revenue although improving at growth rate of 30% on a compounded basis over the past 5 fiscals remains moderate estimated at Rs 138 crore for fiscal 2020. Moderate scale of operations will continue to limit its operating flexibility. The revenues are expected to grow in current fiscal 2021 as well supported by a growing demand and will remain a key monitorable.

Liquidity Adequate

Liquidity is likely to remain adequate in the absence of any major capital expenditure (capex) over the medium term. Cash accrual is estimated at Rs 4.5 ' 5.5 crore over the medium term vis-a-vis maturing debt of Rs 0.31 crore in fiscal 2021. Bank limit utilisation averaged 74% over the 12 months through August 2020. Current ratio was moderate estimated at 1.48 times as on March 31, 2020.

Outlook: Stable

CRISIL believes the SPL will continue to benefit from the extensive experience of its promoters and an above average financial risk profile.

Rating Sensitivity Factors

Upward factors

- * Sustained increase in revenue and stable operating margin above 6% leading to higher cash accrual
- * Efficient working capital management, indicated by gross current assets of 90 days or lower

Downward factors

- * Significant decline in revenue and operating margin below 3%
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About the Company

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

Key Financial Indicators

Particulars	Unit	2020*	2019
Revenue	Rs crore	138.02	111.49
Profit After Tax (PAT)	Rs crore	4.23	1.54
PAT Margin	%	3.1	1.4
Adjusted debt/adjusted networkth	Times	0.39	0.33
Interest coverage	Times	6.49	3.43

*Provisional

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	10	NA	CRISIL BB+/Stable

Annexure - Rating History for last 3 Years

Current				2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	10.00	CRISIL BB+/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	10	CRISIL BB+/Stable	--	0	--
Total	10	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Approach to Recognising Default](#)

[CRISILs Criteria for rating short term debt](#)

[The Rating Process](#)

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