

Rating Rationale

Brickwork Ratings assigns ‘BWR B+’ for the Bank Loan Facilities amounting to ₹ 4.02 Crores of Gujchem Surfactants Pvt Ltd.

Brickwork Ratings has assigned **Ratings¹** for the bank loan facilities of ₹4.02 Crores (Rupees Four Crores and Two Lakhs Only) of Gujchem Surfactants Pvt Ltd. (“GSPL” or the “Company”) as follows:

Limits	Amount (₹ Cr)	Tenure	Rating
Fund based Limits:			
Cash Credit	3.60	Long Term	BWR B+ (Pronounced BWR B Plus) (Outlook: Stable)
Term Loan	0.42		
Total	4.02	INR Four Crores and Two Lakhs Only	

BWR has essentially relied upon the audited financial results up to FY15, projected Financials of Gujchem Surfactants Pvt Ltd up to FY17, publicly available information and information/clarification provided by the Company’s management.

The rating has, inter alia, factored in the competence of the management, long track record of the Company in chemical industry, diversified product offering, and an established infrastructure along with R&D department. The rating is however constrained by low margins, average financial risk profile, moderate scale of operations in a highly competitive industry.

Background

Gujchem Surfactants is a private limited (ISO 9001:2008 Certified) company based in Surat, Gujarat. The Company is engaged in manufacturing activities, by producing formulations and oil field chemicals, with an installed production capacity of 1200 MTs per month of ethoxylates, surfactants and other value added products like agro chemicals.

Management Profile

The Company is promoted by Mr. Pramod K Shah, having an experience in organic and inorganic chemicals and manufacturing since last 40 years. The Company is closely held by Shah Family. The key management person is Mr. Ankit Shah backed by the assistance of his well experienced father Mr. Pramod Shah.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance

In FY15 the Company reported net sales of ₹28.19 Crs. up by 20.43% vis-à-vis ₹23.41 Crs. in FY14. The profit after tax reported in FY15 was ₹0.12 Crs vis-à-vis ₹0.05 Crs. in FY14. Tangible net worth in FY15 was ₹3.83 Crs. The operating profit margin in FY15 was at 5.20% declined from 6.59% reported in FY14.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, the ability of the Company to increase its scale of operations, improve the margins, timely servicing of debt and management of working capital efficiently would be the key rating sensitivities.

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