Rating Rationale

S M Calchem Industries

05th July 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 11.84 Crs of M/s S.M.Calchem Industries ('SMCI' or the 'Firm')

Particulars

Facility Rated	Amounts (Rs. Crs)		Tenure	Ratings ^	
	Previous	Present		Previous	Present
Fund Based **Term Loan** **Cash Credit**	 **11.25** **-**	 **8.32** **2.52**	**Long Term**	**'BWR BB'** Outlook: Stable	**'BWR BB'** (Pronounced BWR Double B) **Outlook: Stable** (Re-affirmation)
Non-Fund Based **BG**	 **-**	 **1.00**	**Short Term**	**-**	**BWR A4** (Pronounced BWR A Four)
Total	**11.25**	**11.84 (Rupees Eleven Crores Eighty Four Only)**			

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has principally relied upon the audited financials of the Company up-to FY16, projections up-to FY18 and publicly available information and information/clarifications provided by the management.

The Ratings continue to factor in promoters' experience in Lime manufacturing and trading industry, operation support from the group companies, improved capacity utilization, growth in the top line and healthy liquidity position. The ratings are however constrained by the relatively small scale of operations, working capital intensive nature of operations, geographical concentration and weak financial profile as indicated by stressed debt protection metrics, net loss and low profit margins. Going forward, the Firm's ability to improve its overall financial profile (turnover, margins, profitability and debt protection metrics), efficiently managing the working capital cycle, increasing the clientele list and establishing relationship with the buyers would remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes the S.M.Calchem Industries's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Established in 2009, 'S. M. Calchem Industries' is based out of Kamrup, Assam; with its registered office at Guwahati, Assam. However the commercial operation of the Firm was started in March 2015. 'SMCI' is engaged in manufacturing and trading of Quick Lime, Hydrated Lime, Calcium Carbonate, Coal Tar with Total Installed Capacity of 51150 MTPA, utilization for FY 17 being 99.02% which has grown from 53.85% in FY 16.The Firm procures coal from Bihar and Limestone from Meghalaya and Assam and after the manufacturing the final product is supplied to the customer in Guwahati and nearby regions. The Firm was in negotiations to supply to Hindustan Paper Corporation Ltd (HPCL), Nagaon; however the Firm has realized that sale in the open market has more benefit than any contract agreement with HPCL, and so it was not taken ahead.

Shri Binod Keyal and Shri Mukesh Keyal are the promoters/partners of the Firm who share holding at 95% and 5% respectively. They both look after the overall operations and management of the Firm.

Financial Performance

The Firm has reported sales of Rs.4.82 Crs in FY 16 with a net loss of Rs.2.90 Crs. As informed, the Firm has achieved sales of Rs. 13.00 Crs in FY 17.

Rating History for the last three years:

Sl No	Instrument/ Facility	Current Rating (April, 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Dec, 2016	Sep, 2015	2014
1.	Fund Based	Long Term	10.84	"BWR BB" (Outlook: Stable)	Not Reviewed	"BWR BB" (Outlook: Stable)	-
2.	Non-Fund Based	Short Term	1.00	"BWR A4"	-	-	-

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria:

- **General Criteria**
- **Manufacturing Companies**
- **Approach to Financial Ratios**

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA& the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER
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