Rating Rationale

Sachin Chemicals

7 May 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹.7.00 Crores of Sachin Chemicals.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	**7.00**	**Long Term**	**BWR BB (BWR Double B) Outlook: Stable**
Total	**7.00**	**INR Seven crore only**	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial results of Fy16, Fy17, Fy18, provisionals for Fy19 and projections till Fy20 , publicly available information and clarification / information provided by the company.

The rating draws strength from an adequate experience of the proprietor, improved scale of operations, moderate liquidity. Rating is however constrained by fluctuating profitability, leveraged capital structure, low coverage and inherent risk associated with sole proprietorship concern.

Key Rating Sensitivity: The ability of the concern improve its coverage ratios,capital structure and profitability, maintain growth in scale of operations and liquidity would be its key rating sensitivity.

Description of Key Rating Drivers

Credit Strength:

- Experience of Proprietor: Sachin Chemicals is managed by Hemal Mehta who is the proprietor of the concern. He has two decades of experience in the related field of business.
- Scale of Operations : Improved scale of operations with Sales in Fy18 reported at Rs.77.47cr in Fy18 and have shown consistent rising trend. In Fy19 (prov) its has recorded sales of Rs.79.53cr
- Liquidity remain moderate as reported through current ratio 1.37x in Fy18, and has shown improving trend over the past couple of years

Credit Risks:

- Profitability: Profitability has shown fluctuating trend; primarily driven by non operating income. OPM and NPM in Fy18 are reported at 0.95% and 0.58%.
- Financial Risk Profile: Financial risk profile of the concern is marked with moderate networth of Rs.6.10cr, resulting in gearing of 1.80x. Coverage ratio as reflected through DSCR and ISCR remain low, on account of high finance cost, these are reported at 1.06x and 0.66x respectively.
- Concern faces competition on account of fragmented nature of industry which includes many small scale level specific chemical traders. Inherent risk of capital withdrawal associated with proprietorship concern remains.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Liquidity Profile: Liquidity profile of the concern is marked with current ratio of 1.37x. Its cash and its equivalents are reported at Rs.0.05cr. Concerns current investments lies in FD of Rs.1.77cr. Its average bank facility utilization stood at Rs.6.50cr (~92%)

Rating Outlook: Stable

BWR believes the **Sachin Chemicals** 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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Established in 1984 Sachin Chemical is involved in Trading of chemical solvents such as Aromatic chemicals, Food additives, fine chemicals and intermediaries. It is managed by Mr. Hemal V Mehta

Company's Financial Performance:

As per FY18 financials, total operating income of the company reported at Rs.77.47 Crores as against Rs.68.18 Crores in FY17. In Fy19 (Prov) concern has registered sales of Rs.79.53cr Operating profitability margins of the concern are reported at 0.95%in Fy18 which have improved to 1.72% in Fy19 (Prov) . Tangible Net Worth of the Company reported at Rs. 6.10cr Crores as on 31 March 2018 as against Rs.2.94cr Crores as on 31 March 2017. Concern has gearing of 1.82x in Fy18 which has reduced to 1.16x in Fy19 (Prov)

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	77.47	68.18
EBITDA	₹ Cr	0.73	0.46
PAT	₹ Cr	0.45	0.21
Tangible Net worth	₹ Cr	6.10	2.94
Total Debt/Tangible Net worth	Times	1.80	2.98
Current Ratio	Times	1.37	1.18

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	**Fund Based** Cash Credit	Long Term	7.00	**BWR BB (BWR Double B) Outlook: Stable**	**Not Rated**	**Not Rated**	**Not Rated**
	Total		**7.00**	**₹ Seven crore only.**			

Status of non-cooperation with previous CRA (if applicable)- Nil
Any other information: Nil

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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