

December 23, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF

SEYA INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities (Term Loan)	48.00	CARE A- (Single A Minus)	Revised from CARE BBB (Triple B)
Long Term Bank Facilities (Fund Based)	50.00	CARE A- (Single A Minus)	Revised from CARE BBB (Triple B)
Short Term Bank Facilities (Non Fund Based)	6.00	CARE A2 (CARE A Two)	Revised from CARE A3+ (A Three Plus)
Total Facilities	104.00 (Rupees One Hundred and Four Crore Only)		

Rating Rationale

The ratings revision takes into consideration the improvement in the financial risk profile owing to increase in the scale of operations, post the commencement of the forward integration projects. The company is currently undertaking a significant capex; however, it is proposed to be funded entirely by equity and promoter funding in the form of unsecured loan/preference share capital, thereby having no implication on debt servicing capability of the company.

The ratings continue to derive strength from the experience of its promoters in the chemicals business, diversification of its revenue profile on successful commissioning of its forward integration project and stable demand outlook for its products. Further, the rating also derives strength from the consistent financial support from the promoters to fund the capex and working capital requirement.

The ratings however continue to be constrained by the uncertainty in raw material prices, which may affect the profitability margins, working capital intensive nature of operations and competitive nature of the industry. Further, the significant capex, which the company is currently executing, exposes it to funding, execution and marketing risk. Any significant change in the proposed funding mix resulting in deterioration in capital structure and debt service indicators are the key rating sensitivities.

Background

Promoted by Mr. Ashok G. Rajani, Seya Industries Ltd (SIL) is engaged in manufacturing of organic chemicals, viz., mono chloro benzene (MCB), para nitro chloro benzene (PNCB), Ortho Nitro Chloro benzene (ONCB) and by-products sulphuric and hydrochloric acid. These products have broad-spectrum usage in pharmaceuticals, speciality chemicals, agrochemicals, insecticides, dye-intermediates, pigments, rubber chemicals etc. The manufacturing facility is located at Tarapur, Boisar (Maharashtra) with capacity to produce 18,000 MT of MCB, 5,000 MT of ONCB, 10,000 MT of PNCB, 6,000 MT of DNCB, 7,600 MT of DNCB and 4,000 MT of PNA as on March 31st, 2015.

SIL was incorporated on October 11, 1990 as Sriman Organic Chemical Industries Private Limited. On April 20, 1992 it was converted to public limited company. SIL has recently executed a forward integration project to produce downstream products which find usage as speciality chemicals in automobile, computer printing inks, construction chemicals, hair dyes

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

etc. The Company has further proposed to expand its capacities (termed as phase II and III project) of PNCB & ONCB, and also broaden its product mix to increase the range of products, both vertically (by adding downstream products) and horizontally (by adding Sulphuric Acid and allied products to its product mix). The total project cost is around Rs. 528.52 crore and is expected to be funded by Private Equity (to be raised) of Rs. 300 crore and remaining by preference share/unsecured loan/internal accrual. The project is expected to be commissioned in phases by FY18.

In FY15 (refers to the period April 1 to March 31), the company recorded a total income from operations of Rs.248.50 crore (PY: Rs.132.20 crore) and PAT of Rs.13.03 crore (PY: Rs. 3.36 crore). During H1 FY16, the company recorded a PAT of Rs. 12.18 crore on a total income from operations of Rs.129.61 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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