

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

¹ Complete 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.

Analyst Contact

Name: Mr Arunava Paul

Tel # 6754 3667

Email: arunava.paul@careratings.com

****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.

CONTACT
Head Office Mumbai**Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH**Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, HimayatNagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR**Mr. Rakesh Jayaraman**304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 7665596136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA**Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Rahul Patni**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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