Shalimar Paints Limited

June 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	127.38	CARE BB+; Negative	Downgraded from CARE BBB-; Negative
Long Term / Short Term Bank Facilities	77.00	CARE BB+; Negative / CARE A4+	Downgraded from CARE BBB-; Negative / CARE A3
Short Term Bank Facilities	0.67	CARE A4+	Downgraded from CARE A3
Non Convertible Debentures	70.00	CARE BB+; Negative	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The downgrade of the ratings assigned to the bank facilities of Shalimar Paints Limited (SPL) and the long-term rating assigned to the proposed non-convertible debentures (NCDs) factors in the continued and higher than envisaged operational loss in FY25 (refers to the period from April 01, 2024 to March 31, 2025) owing to various reasons including high fixed overhead costs pertaining to employees' salaries, marketing expenses related to warehouses and sales depots and decline in sales realization due to intense competition in the paints industry. The ratings continue to remain constrained by weak debt coverage indicators, vulnerability of profitability margins to the volatility in raw material prices derived from crude prices and working capital-intensive nature of operations. The ratings also take cognizance of deterioration in credit risk profile of its promoter company, Hella Infra Market Private Limited (Hella). However, these rating weaknesses are partially offset by strong financial support demonstrated by its promoter, Hella and two promoter group companies, viz. Virtuous Tradecorp Private Limited (VTPL) and JSL Limited (JSL), as evident from significant equity infusions made in SPL so far, thus supporting its liquidity position and improving overall financial risk profile. The ratings also continue to derive strength from SPL's long track record of operation, experienced management, established brand name and dealer network, presence across different locations and satisfactory capital structure. SPL being a part of Hella group, shall benefit from operational synergies through backward integration along with marketing and distribution benefits, and financial support extended by Hella.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to sustain scale of operations and achieve profitability, marked by total operating income (TOI) above Rs.500 crore and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 5% on a sustained basis.
- Significant improvement in the credit risk profile of parent, Hella.

Negative factors

- Sustained operating losses and/or inability to turnaround operations to achieve profitability at operating level as envisaged for next fiscal year.
- Any higher than envisaged debt-funded capital expenditure (capex) undertaken, adversely impacting liquidity position and overall financial risk profile as marked by overall gearing above 1.50x on a sustained basis.
- Absence of continuous financial support by promoters, through timely infusion of funds, as and when required, to ensure timely debt servicing and improve liquidity position of SPL.
- Significant deterioration in credit risk profile of parent, Hella.

Analytical approach: Standalone, while factoring operational and financial linkages with its promoter, Hella, which holds more than 50% stake in SPL.

Outlook: Negative

The 'negative' outlook considers the likely sustenance of losses at operating level in the coming quarters, which could lead to a deterioration in its liquidity position. The outlook may be revised to 'stable' based on SPL's ability to turnaround operations to achieve desired profitability and continuation of financial support by Hella to support liquidity position of SPL.

Detailed description of the key rating drivers

Key weaknesses

Loss making operations despite growing scale of operations

SPL has reported a topline growth of ~12% year-on-year (YoY) in FY25, to Rs.599.25 crore (PY: Rs.535.08 crore), underpinned by the growth in sales volume by ~12% YoY. The volume growth was largely supported by healthy change in the mix of water-based products and in specific emulsion portfolio. Nevertheless, the company sustained losses at PBILDT level of Rs.56.48 crore in FY25 (PY: (-) Rs.53.97 crore). This led to sustained net loss of Rs.80.11 crore in FY25 (PY: (-) Rs.73.75 crore). The intense competition continues to exert pressure on SPL's profitability margins. To combat increased competition from existing players

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

(such as Asian Paints, Berger Paints (rated CARE A1+), Kansai Nerolac, among others) and emerging players (such as Birla Opus, JSW Group, among others), and with an aim to expand scale of operations, SPL had took strategic decisions in previous fiscal years, of deploying more marketing teams and increasing the number of sales depots/ warehouses to increase market penetration. The above however, resulted in sustained operational losses during FY24 and FY25, since employees' costs along with sales and marketing expenses increased YoY. Hence, with an aim to curtail losses and achieve desired profitability, the company's management strategically decided to optimize costs through various measures including manpower contraction, closure of excess warehouses/sales depots, reduction in administrative, sales and marketing costs. Further, it undertook capex for automation and infrastructure development across all three operational plants, to reduce wastages, improving throughput, quality and overall efficiency. Hence, going forward, SPL is expected to contain losses in the near team and achieve profitability over the medium term. Moreover, SPL is expected to ramp up the operations at its two manufacturing plants, based at Chennai and Nasik (Maharashtra), which are currently underutilized.

Susceptibility of operating margins to raw material and crude price fluctuation
Raw materials are crucial to the manufacturing of paints with cost of raw materials consumed constituting a major cost ~65% of topline. SPL uses various raw materials with major categories being solvents, pigments, titanium dioxide, acids, chemicals, resins and additives. A significant proportion of the raw materials are derivatives of crude oil. Changes in crude prices affect the decorative paints business more than any other as it is a raw material intensive industry. With rising raw material prices in paint business, SPL has also increased prices to be able to partially pass on raw material price increase. However, competition from the organized and unorganized players does limit pricing as SPL is relatively a smaller player and has low bargain power. Hence, SPL's profitability is susceptible to raw material price fluctuation risk.

Highly competitive industry
Indian paints industry is characterised by small and regional players constituting unorganised segment, accounting low market share, whereas large and organised players account for majority market share. The organised sector is oligopolistic in nature with top four players: Asian Paints, Berger Paints, Kansai Nerolac and Akzo Nobel (Dulux) controlling over 65% of the overall paint and coatings market and 75% of the decorative paints market. With the new entrants of large size players such as Grasim Industries (Birla Opus) and JSW group, SPL remains exposed to significant competition from both organised and unorganised sector players for its various product segments.

Working capital intensive operations
SPL's operating cycle remains elongated at 56 days in FY25 (PY: 79 days) largely on account of high average collection period. Average inventory stood at 69 days in FY25 (PY: 78 days) owing to the large number of SKUs (Stock Keeping Units) at various outlets and large requirement of raw materials (about 320 types) for manufacturing paints. Further, SPL extends credit period of 2-3 months to its dealer network resulting in collection period of 77 days in FY24 (PY: 73 days) while it receives credit period of around 90 days.

Key strengths

Strong parentage with demonstrated financial support
SPL is now promoted by Hella, which holds a controlling stake in SPL since March 11, 2024. Hella is engaged in the similar line of business and provides a comprehensive range of construction materials including Ready-mix concrete (RMC), aggregates, fly-ash, paints, construction chemicals, steel and cement. Hence, SPL shall benefit from strong parentage in the form of sourcing synergies, marketing benefit, common management, and financial support extended by Hella. At the time of initial acquisition of stake in SPL in February 2022, Hella had infused funds to the tune of ~Rs.345 crores, in form of equity infusion (Rs.290 crores) and through debt (9% Optionally Convertible Debentures (OCD) of ~Rs.55 crores). The outstanding OCDs is however paid off by SPL in FY24. In 2023, SPL additionally raised Rs.150 crores through share warrants, issued to Hella (Rs.75 crore) and other two promoter group companies: Virtuous Tradecorp Private Limited (Rs.40 crores) and JSL Limited (Rs.35 crores). These funds are largely applied by SPL towards reducing outstanding of working capital borrowings, repay term loans, funding of capex and supporting the overall liquidity position.

SPL's long track record with experienced management team
SPL was incorporated in 1902, since then, the company continued to expand its operations across India by setting up facilities across different locations: Howrah, West Bengal; Nasik, Maharashtra (West); Sikandrabad, Uttar Pradesh (North) and Chennai, Tamil Nadu (South), thereby increasing the aggregate production capacity through various units. SPL has a long-established track record of more than 100 years in the paints industry with experienced management team. Currently, BOD of SPL comprise of 01 Managing Director (MD) and Chief Executive Officer (CEO), 01 Chief Operating Officer (COO), 01 Chief Financial Officer (CFO), 02 directors (common to Hella's BOD), 04 Independent directors and 01 Company Secretary. In April 2025, Mr. Kuldip Raina was promoted to act as MD and CEO of SPL. He has an extensive experience in the paints industry, and previously, he served as the CEO of Nerofix Private Limited (A Kansai Nerolac Paints Limited's Group company). Mr. C. Venugopal, wholetime director and COO, is a postgraduate having extensive industry experience of three decades including with Nippon Paints and Kansai Nerolac Paints. Mr. Aaditya Sharda and Mr. Souvik Sengupta have joined SPL's BOD, for providing strategic guidance to make SPL a self-sustainable and profitable entity. Mr. Sharda, SPL's director and co-founder of Hella, is a postgraduate having rich experience in paints and construction industries. Mr. Souvik Sengupta, SPL's director and co-founder of Hella, is also a post-graduate with experience of over 7 years. He heads Finance and Investor Relations at Hella.

Strategically located manufacturing facilities with established brand and dealer network
SPL operates in two major segments: Decorative and Industrial. Decorative paint segment mainly caters to domestic, office and other building purposes while industrial paints segment caters to protective coating sector, product finish, and range of marine paints including antifouling paint. The major brands of SPL under decorative segment include Signature, Weather Pro+, Hero, Xtra Tough, Superlac, No.1 Silk Emulsion, Super Shaktiman, Master Emulsion among others. The industrial paints are primarily used for beautifying and protecting the structure from deterioration through corrosion. Further, SPL has manufacturing facilities strategically located across different zones: Nasik, Maharashtra (West); Sikandrabad, Uttar Pradesh (North) and Gummidipudi, Chennai, Tamil Nadu (South). Also, SPL has a wide distribution network of over 6,500 dealers, 49 sales depots spread across 3 regional distribution centres. The sales in decorative segment are mostly retail, made through dealers. In industrial segment, sales are mostly made to the OEMs (original equipment manufacturers)/ institutional clients as per their specifications. SPL has reputed corporate clients in the industrial paint segment including both public sector and private sector enterprises. The major clients in industrial segment include Jindal Saw Ltd., Jindal Steel & Power Ltd., JSW Steel Ltd., Offshore Infrastructures Ltd. and Nayara Energy Ltd., among others.

Satisfactory capital structure albeit poor coverage indicators
SPL's capital structure continues to remain satisfactory, marked by strong tangible net worth (TNW) base of Rs.295.00 crore as on March 31, 2025 (PY: Rs.374.46 crore). TNW is largely strengthened by the significant infusion of funds by Hella but partially offset by sustained losses. The overall gearing stood comfortable at 0.60x as on March 31, 2024 (PY: 0.33x), however, the debt coverage indicators of the company remain poor in tandem with subdued profitability as marked by negative interest and debt coverage.

Liquidity: Stretched
SPL's liquidity position is marked stretched on account of the company's inability to service the debt obligations through internal cash accruals due to sustained operational losses. As on May 28, 2025, the company has free cash and bank balances available to the tune of ~Rs.17 crore and is planning to issue non-convertible debentures (NCD) to the tune of Rs.70 crore during FY26. Therefore, for FY26, the company has scheduled term loans repayment and NCD repayment to the tune of ~Rs.25 crore, which shall be largely funded from available bank balances and proceeds of NCD (to be issued). Further, average utilization of working capital borrowings stood moderate at ~80% in the trailing 12 months ended May 31, 2025.

Applicable criteria
Factoring Linkages Parent Sub JV Group
Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Short Term Instruments
Manufacturing Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Paints

SPL earlier belonged to Ratan Jindal faction of O.P. Jindal group and Mr. Girish Jhunjhunwala, a Hongkong based businessman. Now, it has Hella as promoter, which holds a controlling stake of 52.85% as on March 31, 2025. SPL is listed on both stock exchanges (BSE and NSE). It is engaged in the manufacturing of wide range of paints, in both decorative and industrial paints. The decorative paints are generally used for painting of domestic, office and other buildings, while industrial paints and coatings cater to the protective coatings and product finishing sectors.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Ab)
Total operating income	535.08	599.25
PBILDT	-53.97	-56.48
PAT	-73.75	-80.11
Overall gearing (times)	0.33	0.60
Interest coverage (times)	-4.16	-3.22

A: Audited; Ab: Abridged; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures - Non Convertible Debentures*		-	-	-	70.00	CARE BB+; Negative
Fund-based - LT-Cash Credit		-	-	-	102.50	CARE BB+; Negative
Fund-based - LT-Term Loan		-	-	16-01-2029	24.88	CARE BB+; Negative
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	13.75	CARE BB+; Negative / CARE A4+
Non-fund-based - LT/ ST-Letter of credit		-	-	-	63.25	CARE BB+; Negative / CARE A4+
Non-fund-based - ST-Forward Contract		-	-	-	0.67	CARE A4+

*These are proposed NCDs

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	102.50	CARE BB+; Negative	-	1)CARE BBB-; Negative (27-Dec-24)	1)CARE BBB- (RWD) (11-Dec-23) 2)CARE BBB- (RWD) (19-Oct-23)	1)CARE BBB-; Stable (03-Mar-23) 2)CARE BBB-; Stable (07-Jun-22) 3)CARE BBB-; Stable (06-Apr-22)
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST	63.25	CARE BB+; Negative / CARE A4+	-	1)CARE BBB-; Negative / CARE A3	1)CARE A3 (RWD) (11-Dec-23)	1)CARE A3 (03-Mar-23) 2)CARE A3

						(27-Dec-24)	2)CARE A3 (RWD) (19-Oct-23)	(07-Jun-22) 3)CARE A3 (06-Apr-22)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	13.75	CARE BB+; Negative / CARE A4+	-	1)CARE BBB-; Negative / CARE A3 (27-Dec-24)	1)CARE BBB- / CARE A3 (RWD) (11-Dec-23) 2)CARE BBB- / CARE A3 (RWD) (19-Oct-23)	1)CARE BBB-; Stable / CARE A3 (03-Mar-23) 2)CARE BBB-; Stable / CARE A3 (07-Jun-22) 3)CARE BBB-; Stable / CARE A3 (06-Apr-22)
4	Fund-based - LT-Term Loan	LT	24.88	CARE BB+; Negative	-	1)CARE BBB-; Negative (27-Dec-24)	1)CARE BBB- (RWD) (11-Dec-23) 2)CARE BBB- (RWD) (19-Oct-23)	1)CARE BBB-; Stable (03-Mar-23) 2)CARE BBB-; Stable (07-Jun-22) 3)CARE BBB-; Stable (06-Apr-22)
5	Non-fund-based - ST-Forward Contract	ST	0.67	CARE A4+	-	1)CARE A3 (27-Dec-24)	1)CARE A3 (RWD) (11-Dec-23) 2)CARE A3 (RWD) (19-Oct-23)	1)CARE A3 (03-Mar-23) 2)CARE A3 (07-Jun-22)
6	Debentures - Non Convertible Debentures*	LT	70.00	CARE BB+; Negative				

LT: Long term; ST: Short term; LT/ST: Long term/Short term
*These are proposed NCDs.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

5	Non-fund-based - LT/ ST-Letter of credit	Simple
6	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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