

Clariant Chemicals (India) Limited

January 27, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities – Fund-based Facilities	75	CARE AAA; Stable (Triple A; Outlook:Stable)	Reaffirmed
Short-term Bank Facilities – Non-fund-based Facilities	40	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	115 (Rupees One Hundred Fifteen crore only)		

Details of instruments in Annexure-1

Detailed Rationale

The ratings of Clariant Chemicals (India) Limited (CCIL) continue to derive strength from the parentage of Clariant AG, technical and managerial support received from the parent, established position of the company in the domestic dyes & pigment/specialty chemicals industry, strong sales and marketing network and strong financial risk profile marked by debt free balance sheet and adequate liquidity. The company was undertaking realignment of its product portfolio since December 2012 in line with re-alignment process carried out by the parent. The process is now complete and CARE notes that CCIL has improved its operational efficiency and profitability margins have already shown an improving trend. The ability of the company to improve its profitability margins further in the scenario of demand slowdown, competition from other organized/unorganized players and volatility in the raw material prices are the key rating sensitivities. Further any borrowing availed by CCIL for capital expenditure/acquisition leading to change in existing capital structure and any significant up-streaming of cash accruals to the parent straining the existing liquidity profile of the company is the key rating monitor-able.

Detailed description of the key rating drivers

CCIL is a part of Clariant AG which has a strong presence in the field of specialty chemicals, spread over the world with over 100 group companies. The company is one of the leading manufacturers of pigments and specialty chemicals in the domestic market with strong R&D capability. It has actively engaged with its clients to better understand their requirements and has also continuously launched new products to maintain its strong market position.

The company has well-established marketing set-up comprising 4 zonal offices, 8 branch offices and over 100 dealers spread across the country. The company continues to maintain strong financial risk profile with debt free balance sheet. The liquidity profile is also strong with unitized fund-based limit of Rs.75 crore and free cash balance & liquid investment of Rs.83.17 crore as on March 31, 2016 and Rs.112 crore as on September 30, 2016. The group has initiated a product portfolio re-alignment exercise with a view to focus on businesses, in which the group enjoys competitive advantage and distinct pricing power. Thus, divesture of these high margin businesses has lowered the PBILDT margin of CCIL over the period CY12-CY14. However, this exercise is now complete and CARE notes that CCIL has improved its operational efficiency while profitability margins have already shown an improving trend.

The PBILDT margin improved to 7.38% in FY16 (refers to the period April 1 to March 31) as compared to 2.94% in CY14. Around 50% of CCIL's raw material requirement is dependent on derivatives of crude oil (raw material for paints and industrial oils) and thus is exposed to volatility in raw material prices and intense competition.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings
 CARE's policy on Default Recognition
 Rating Methodology- Manufacturing Companies
 Financial Ratios- Non Financial Sector
 Criteria for Short-Term Instruments

About the Company

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

Clariant Chemical (India) Limited (CCIL) was incorporated in 1956 as Colour Chem Ltd (Colour-Chem) by the German manufacturers, Hoechst AG and Bayer AG. CCIL is an affiliate of Switzerland-based Clariant AG, one of the leading players in the field of fine and specialty chemicals with a spread of more than 100 companies across the five continents.

CCIL is engaged in the manufacturing of specialty chemicals which includes dyes & pigments, master batches and additives and has manufacturing facilities located in Maharashtra, Gujarat, Tamil Nadu and Madhya Pradesh. Majority of the revenue is derived from domestic sales with exports contributing 27% to total sales (mostly to group companies) in FY16.

In FY16, the company has earned a PAT of Rs.52.87 crore on total income from continuing operations of Rs.1,206.81 crore as compared with a PAT (Before Discontinuing Operations but includes profit on sale of land in Kolshet of Rs.1,085.48 crore) of Rs.935.66 crore on total income from continuing operations of Rs.973.13 crore in CY14.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure 1

Details of Instruments/facilities:-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	75.00	CARE AAA; Stable
Non-fund-based - ST-BG/LC	-	-	-	40.00	CARE A1+

Annexure 2

Rating History for last three years:-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Working Capital Limits	LT	75.00	CARE AAA; Stable	-	1)CARE AAA (30-Jun-15)	1)CARE AAA (03-Dec-14)	1)CARE AAA (01-Oct-13)
2.	Non-fund-based - ST-BG/LC	ST	40.00	CARE A1+	-	1)CARE A1+ (30-Jun-15)	1)CARE A1+ (03-Dec-14)	1)CARE A1+ (01-Oct-13)

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