

Clariant Chemicals (India) Limited
June 23, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ^[1]	Remarks
Long-term Bank Facilities – Fund-based Facilities	75	CARE AAA; [Triple A] (Credit watch with developing implications)	Placed under credit watch with developing implications
Short-term Bank Facilities – Non-Fund- based Facilities	40	CARE A1+ [A One Plus] (Credit watch with developing implications)	
Total	115 (Rupees One hundred Fifteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rating Rationale & Key rating drivers

CARE has placed the ratings assigned to the bank facilities of Clariant Chemicals (India) Limited (CCIL) under 'credit watch' with developing implications following the proposed merger of its ultimate holding company Clariant AG with Huntsman Corporation, USA and the possible impact of the same on the credit profile of CCIL.

Recent Developments

The Swiss based Clariant AG, ultimate holding company of CCIL and USA based Huntsman Corporation have announced merger of equals through an all stock transaction. The new entity formed will be named as Huntsman Clariant. The merger is expected to be completed by end of calendar year 2017, subject to approvals from the shareholders of both the companies, regulatory approvals and other customary conditions.

CARE is in the process of seeking information and clarifications from CCIL, on the basis of which CARE will take a final view on the rating, once the implications of the above development on the business and overall credit risk profile of the company, are clear.

The ratings of CCIL continue to factor in the parentage of Clariant AG, technical and managerial support received from the parent, established position of the company in 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.

Going forward, CCIL's inability to scale up its operations and improve its profitability margins from the present levels amidst demand slowdown, competition from other organized/unorganized players and volatility in the raw material prices are the key rating sensitivities. Furthermore, 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 Key rating drivers**Key Rating Strengths****Experienced management and strong group support**

CCIL is a part of Clariant AG which has a strong presence in the field of specialty chemicals, spread over five continents with more than 100 group companies.

Established sales and marketing network

CCIL has a well-established marketing set-up comprising 4 zonal offices, 8 branch offices and over 100 dealers spread across the country. CCIL's customers include its dealers as well as large direct customers like Reliance Industries Limited, Asian Paints Limited among others.

Strong R& D capabilities

The company has strong R&D capability and has actively engaged with its clients to better understand their requirements and has also continuously launched new products to maintain its strong market position.

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

Strong financial risk profile

CCIL continues to have a strong financial risk profile marked by debt free balance sheet and comfortable liquidity position owing to unutilised fund-based limit of Rs.75 crore and free cash balance & liquid investment of Rs.114.31 crore as on March 31, 2017.

Key Rating Weaknesses**Raw material price volatility**

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.

Analytical approach: Standalone

Applicable criteria

[Rating Methodology-Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Financials Ratio-Non Financial Sector](#)

[CARE's Policy on Default Recognition](#)

[Criteria for placing rating on credit watch](#)

Background

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.

In FY17, CCIL posted a PAT of Rs.24.87 crore on a total income of Rs.1,068.81 crore

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	CARE AAA (Under Credit watch with Developing Implications)
Non-fund-based - ST-BG/LC	-	-	-	40	CARE A1+ (Under Credit watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Working Capital Limits	LT	75	CARE AAA (Under Credit watch with Developing Implications); Stable	-	1)CARE AAA; Stable (27-Jan-17)	1)CARE AAA (30-Jun-15)	1)CARE AAA (03-Dec-14)
2.	Non-fund-based - ST-BG/LC	ST	40	CARE A1+ (Under Credit watch with Developing Implications)	-	1)CARE A1+ (27-Jan-17)	1)CARE A1+ (30-Jun-15)	1)CARE A1+ (03-Dec-14)

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