

## Shalimar Paints Limited

March 07, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	113.81 (reduced from 126.26)	CARE D	Revised from CARE B; Negative (Single B; Outlook: Negative)
Long/short term Bank Facilities	20.75	CARE D/CARE D	Revised from CARE B; Negative/ CARE A4 (Single B; Outlook: Negative/ A Four)
Short-term Bank Facilities	76.25	CARE D	Reaffirmed
<b>Total</b>	<b>210.81</b> <b>(Rupees Two hundred ten crore and eighty one lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Shalimar Paints Limited (SPL) takes into account the ongoing delays in debt servicing. The liquidity of the company is stretched on account of continuous losses incurred in FY17 (refers to the period April 1 to March 31) and 9MFY18 along with working capital intensive nature of operations.

#### Detailed description of the key rating drivers

##### Key Rating Weaknesses

##### *Ongoing delays in debt servicing*

There are ongoing delays in servicing of bank facilities.

##### *Deterioration in financial performance*

Operating income declined by around 8% in FY17 on account of disruption in Nasik unit which was affected by a fire in Q3FY17 and also due to demonetisation. Further, the PBILDT margin also declined on account of under recovery of fixed overheads. SPL incurred cash loss in FY17. Further, the company incurred loss of Rs.29.35 crore in 9MFY18.

The company is in the process of raising funds of Rs.50 crore through a rights issue.

##### *Working capital intensive nature of operation resulting in high overall gearing ratio*

Overall gearing deteriorated to 3.59x as on March 31, 2017 from 3.07x as on March 31, 2016 due to depletion of net worth and increase in borrowings.

Overall gearing continued to remain on the higher side due to working capital intensive nature of the business as reflected by high average collection period and high average inventory period.

**Analytical approach:** Standalone

#### Applicable Criteria

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

[Criteria for Short Term Instruments](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

### About the Company

SPL, incorporated in 1902, belongs to Delhi-based Ratan Jindal faction of the O.P. Jindal group and Mr. Girish Jhunjhnuwala, a Hongkong based businessman.

SPL is engaged in manufacturing a wide range of paints in both decorative and industrial paint segments. The company has three manufacturing facilities at Nasik, Sikandrabad and Chennai. It also had a unit in Howrah where operations are suspended due to a fire which damaged the unit in July, 2014.

In Q3FY17, there was a fire in the Nasik unit which resulted in damage of stock and fixed assets. Further, the Chennai unit which was decommissioned in April 2015 due to technical issues was re-commissioned in September 2017.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	403.01	369.55
PBILDIT	31.29	15.12
PAT	5.28	-6.60
Overall gearing (times)	3.07	3.59
Interest coverage (times)	1.41	0.67

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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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-Cash Credit	-	-	-	110.00	CARE D
Non-fund-based - ST-Letter of credit	-	-	-	76.25	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	20.75	CARE D / CARE D
Term Loan-Long Term	-	-	July 31, 2018	3.81	CARE D

**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-Cash Credit	LT	110.00	CARE D	1)CARE B; Negative (13-Jul-17)	1)CARE BBB (07-Oct-16)	1)CARE BBB (09-Dec-15)	1)CARE BBB+ (13-Oct-14)
2.	Non-fund-based - ST-Letter of credit	ST	76.25	CARE D	1)CARE D (13-Jul-17)	1)CARE A3 (07-Oct-16)	1)CARE A3 (09-Dec-15)	1)CARE A3+ (13-Oct-14)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	20.75	CARE D / CARE D	1)CARE B; Negative / CARE A4 (13-Jul-17)	1)CARE BBB / CARE A3 (07-Oct-16)	1)CARE BBB / CARE A3 (09-Dec-15)	1)CARE BBB+ / CARE A3+ (13-Oct-14)
4.	Term Loan-Long Term	LT	3.81	CARE D	1)CARE B; Negative (13-Jul-17)	1)CARE BBB (07-Oct-16)	1)CARE BBB (09-Dec-15)	1)CARE BBB+ (13-Oct-14)

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