

**Shree Hari Chemicals Export Limited**

February 27, 2018

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long term Bank Facilities	2.00	<b>CARE BB-, Stable (Double B Minus , Outlook; Stable)</b>	<b>Revised from CARE BB; Stable (Double B; Outlook: Stable)</b>
Short term Bank Facilities	7.35	<b>CARE A4+ (A Four Plus)</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>9.35 (Rupees Nine crore and Thirty Five lakh only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The long term rating assigned to the bank facilities of Shree Hari Chemicals Exports Limited (SHCEL), has been revised on account of modest scale of operation, declining profitability coupled with cash losses in 9MFY18 and net losses in FY17, susceptibility of profitability to fluctuation in raw material price and exchange rates and operations in the highly competitive and fragmented industry.

The ratings however, continue to derive strength from the long and established track record of the promoters, comfortable capital structure and liquidity position.

The ability of SHCEL to increase sales with product diversification and improve its profit margins in light of fluctuation in input price while efficiently managing its working capital requirement efficiently are the key rating sensitivities.

**Outlook: Stable**
**Detailed description of the key rating drivers**
**Key Rating Weaknesses**

**Marginal growth in scale of operations:** SHCEL's scale of operations grew on y-o-y basis and the total operating income improved by 12.93% in FY17 on account of higher realization. However, the total income has improved in FY17 but remained fluctuated in 9MFY18 Further, during 9MFY18, the company posted revenue of Rs. 45.15 crore and net loss of Rs.6.65 crore.

**Decline in profitability margin in FY17 and operating loss in 9MFY18:** Profitability level of the entity showing declining trend owing to high fluctuation in the material cost (primarily H Acid prices), power and fuel cost and other manufacturing expenses. Further, SHCEL posted lower total income of Rs. 45.15 crore in 9MFY18 and PBILDT margin has further declined and posted negative operating margins in 9MFY18 and could not cover its interest and depreciation expenses thus posted net loss of Rs. 6.65 crore in 9MFY18.

**Susceptibility of profitability to fluctuation in raw material price and exchange rates:** The prices of H Acid prices have been volatile during past two years owing to external factors along with SHCEL's limited ability to completely pass on the cost to its customers which has affected profit margin.

**Key Rating Strengths**

**Long track record of operation and experienced promoters:** Mr K. L. Ramuka and Mr B. C. Agrawal have an experience of more than four & three decades respectively in the chemical (textile) manufacturing & trading industry. Since inception, the promoters have been actively involved in business and management of the overall activities of the company.

**Comfortable capital structure and liquidity position:** SHCEL's capital structure and debt coverage indicators stood comfortable in past (FY15-17) primarily on account of relatively low reliance on bank debt to fund its business operation coupled with accretion of profits to reserves. Debt coverage indicators have deteriorated in FY17 but remained at moderate level with low debt levels. Liquidity position of the entity also remained comfortable in the form of un-utilized working capital borrowings and moderate cash balance and liquid investment.

**Analytical approach – Standalone**

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

## Applicable Criteria

### Criteria on assigning Outlook to Credit Ratings

### CARE's Policy on Default Recognition

### Criteria for Short Term Instruments

### Rating Methodology-Manufacturing Sector

### Financial ratios – Non-Financial Sector

## About the Company

Incorporated in 1987 by Mr. K. L. Ramuka and Mr. B. C. Agrawal, Shree Hari Chemicals Export Limited (SHCEL), is engaged in the business of manufacturing of H-acid, dye intermediate which finds application in the manufacture of dyes (cotton textile industry). SHCEL has its plant with an installed capacity of 3240 metric tonnes of H-acid per annum (utilized at around 90% as on March 31, 2016) with current 100% operational capacity (as per Maharashtra Pollution Control Board's consent order dated May 30, 2016, they have renewed the consent to operate the manufacturing activity at 100% capacity) at Mahad, Maharashtra.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)	9MFY18 (Prov)
Total operating income	103.67	117.07	45.15
PBILDT	4.13	1.35	-7.21
PAT	1.12	-1.83	-6.65
Overall gearing (times)	0.03	0.02	-
Interest coverage (times)	39.40	6.04	NEG

A: Audited, Prov : Provisional

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating History (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.

### Analyst Contact

Name: Ms. Ruchi Shroff

Tel: 022-67543554

Email: [ruchi.shroff@careratings.com](mailto:ruchi.shroff@careratings.com)

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### About CARE Ratings:

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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	-	-	-	2.00	CARE BB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	6.00	CARE A4+
Non-fund-based - ST-Bank Guarantees	-	-	-	1.00	CARE A4+
Non-fund-based - ST-Forward Contract	-	-	-	0.35	CARE A4+

**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	2.00	CARE BB-; Stable	1)CARE BB; Stable (01-Dec-17) 2)CARE BB+; Negative (26-Apr-17)	-	1)CARE BB+ (17-Mar-16)	1)CARE BB+ (24-Oct-14)
2.	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A4+	1)CARE A4+ (01-Dec-17) 2)CARE A4+ (26-Apr-17)	-	1)CARE A4+ (17-Mar-16)	1)CARE A4+ (24-Oct-14)
3.	Non-fund-based - ST-Bank Guarantees	ST	1.00	CARE A4+	1)CARE A4+ (01-Dec-17) 2)CARE A4+ (26-Apr-17)	-	1)CARE A4+ (17-Mar-16)	1)CARE A4+ (24-Oct-14)
4.	Non-fund-based - ST-Forward Contract	ST	0.35	CARE A4+	1)CARE A4+ (01-Dec-17) 2)CARE A4+ (26-Apr-17)	-	1)CARE A4+ (17-Mar-16)	1)CARE A4+ (24-Oct-14)

## CONTACT

## Head Office Mumbai

**Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CARE Ratings Limited**

(Formerly known as Credit Analysis &amp; Research Ltd.)

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](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**

32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**BENGALURU****Mr. V Pradeep Kumar**

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

Cell: +91 98407 54521

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

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**CHANDIGARH****Mr. Anand Jha**

SCF No. 54-55, First Floor, Phase 11, Sector 65, Mohali - 160062 Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: [anand.jha@careratings.com](mailto:anand.jha@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](mailto: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](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar, Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@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](mailto: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](mailto:swati.agrawal@careratings.com)**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)