

**Shree Hari Chemicals Export Limited**  
 March 20, 2019

**Ratings**

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

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of Shree Hari Chemicals Export Limited (SHCEL) continue to be constrained by declining and modest scale of operation, net losses in FY18 and 9MFY19, 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 healthy 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.

**Detailed description of the key rating drivers****Key Rating Weaknesses**

**Declining and modest scale of operation:** Total operating income of SHCEL has declined significantly in FY18 to Rs.56.02 crore in FY18 vis-à-vis Rs. 117.07 crore in FY17 on account of lower quantity goods sold i.e. sale of 1602.59MT in FY18 (vis-à-vis sale of 3249.92 MT in FY17) due to sluggish market conditions. Further, the company posted total income of Rs.45.63 crore in 9MFY19 (UA) as against Rs. 45.15 crore in 9MFY18 (UA).

**Net losses in FY18 and 9MFY19:** PBILDT declined significantly and reported losses in FY18 on account of its inability to recover fixed costs coupled with increase in manufacturing expenses. Further owing to above coupled with increase in depreciation cost, it posted net loss. However comfort can be drawn from the fact that it had posted operating profit of Rs.0.68 crore and the loss has reduced to Rs.1.89 crore in 9MFY19.

**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 SHCELS'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:** SHCEL's capital structure and debt coverage indicators continued to remain comfortable primarily on account of no reliance on bank debt to fund its business operation. Further the overall gearing has improved due to no utilization of working capital limits in FY18. During 9MFY19, the capital structure continued to remain comfortable due to above mentioned reason. However, net worth base of the company declined significantly to Rs. 41.30 crore as on March 31, 2018 vis-à-vis Rs. 49.82 crore as on March 31, 2017 on account of increase in losses during FY18.

**Comfortable liquidity position:** The Company has comfortable liquidity position in the form of un-utilized working capital borrowings and free cash and balance of Rs.15.41 crore as on March 31, 2018 and Rs. 15.20 crore as on December 31,2018 vis-à-vis Rs. 19.48 crore as on March 31, 2017.The same had declined to fund the cash losses in FY18. Nevertheless it continues to remain healthy.

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

**Analytical approach** – Standalone

**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 at Mahad, Maharashtra.

<b>Brief Financials (Rs. crore)</b>	<b>FY17 (A)</b>	<b>FY18 (A)</b>	<b>9MFY19 (UA)</b>
Total operating income	117.07	55.88	45.63
PBILDT	1.35	-8.42	0.68
PAT	-1.83	-8.76	-1.89
Overall gearing (times)	0.02	0.00	0.00
Interest coverage (times)	6.04	NEG	13.60

A: Audited, UA: Unaudited; NEG: Negative

**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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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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	2.00	CARE BB-; Stable	-	1)CARE BB-; Stable (27-Feb-18) 2)CARE BB; Stable (01-Dec-17) 3)CARE BB+; Negative (26-Apr-17)	-	1)CARE BB+ (17-Mar-16)
2.	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A4+	-	1)CARE A4+ (27-Feb-18) 2)CARE A4+ (01-Dec-17) 3)CARE A4+ (26-Apr-17)	-	1)CARE A4+ (17-Mar-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	1.00	CARE A4+	-	1)CARE A4+ (27-Feb-18) 2)CARE A4+ (01-Dec-17) 3)CARE A4+ (26-Apr-17)	-	1)CARE A4+ (17-Mar-16)
4.	Non-fund-based - ST-Forward Contract	ST	0.35	CARE A4+	-	1)CARE A4+ (27-Feb-18) 2)CARE A4+ (01-Dec-17) 3)CARE A4+ (26-Apr-17)	-	1)CARE A4+ (17-Mar-16)

**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 & 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 851111-53511/99251-42264

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)

CIN - L67190MH1993PLC071691