

Shree Hari Chemicals Export Limited
April 26, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Rating Action
Long term Bank Facilities	2.00	CARE BB+, Negative (Double B Plus; Outlook: Negative)	Reaffirmed
Short term Bank Facilities	7.35	CARE A4+ (A Four Plus)	Reaffirmed
Total Facilities	9.35 (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 Exports Limited (SHCEL), continues to be constrained by modest scale of operation with fluctuating operating income and cash accruals, susceptibility of profitability to fluctuation in raw material price and exchange rates and operations in the highly competitive and fragmented industry.

The reaffirmation of the ratings factors in the significant decline in the total income and profit margin in FY16 (refers to period April 01 to March 31) and 9MFY17 albeit marginal improvement in capital structure and working capital cycle.

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: Negative

The outlook is 'Negative' on account of expectation of decline in scale of operations and expected deterioration in key financial parameters and declining trend of H Acid prices since April, 2015. The outlook may be revised to 'Stable' if the company is able to diversifying its product profile and increase its sales as envisaged while improving its overall financial parameters.

Detailed description of the key rating drivers**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: KLPL's capital structure continues to remain comfortable owing to healthy net worth base with accretion of profits over the years and lower dependence on external borrowings. Debt coverage indicators also remained at moderate level with moderate profitability and low debt levels. Liquidity position of the entity also remained comfortable with healthy cash balance and liquid investment.

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

Key Rating Weaknesses

Modest scale of operations: SHCEL's scale of operations grew at Compounded Annual Growth Rate (CAGR) of 105% during the period FY13-15. However, the total income has been fluctuating on account of reduced realization and changing volumes sold due to external factors.

Fluctuating profitability: Profitability level of the entity remained fluctuating trend owing to high fluctuation in the H Acid prices. Further with the decline in scale of operation coupled with reduced realization due to increase in prices of the product manufactured, PBILDT margin has also been highly fluctuating during last three years ended FY16.

Raw material price fluctuation risk: 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.

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 3500 tonnes of H-acid per annum with current 100% operational capacity (since July 10, 2015) at Mahad, Maharashtra.

During FY16 (refers to the period April 1 to March 31), SHCEL reported total operating income of Rs.103.67 crore (as against Rs.133.51 crore in FY15) crore and net profit of Rs.1.12 crore (as against Rs.32.07 crore in FY15). Furthermore, during 9MFY17, company has posted operating income of Rs.81.25 crore and net loss of Rs.0.69 crore (vis-a-vis income of Rs.83.49 and net profit of Rs.4.44 in the corresponding quarter last year).

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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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-Cash Credit	-	-	-	2.00	CARE BB+; Negative
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+; Negative	-	-	1)CARE BB+ (17-March-16)	1)CARE BB+ (24-October-14)
2.	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A4+	-	-	1)CARE A4+ (17-March-16)	1)CARE A4+ (24-October-14)
3.	Non-fund-based - ST-Bank Guarantees	ST	1.00	CARE A4+	-	-	1)CARE A4+ (17-March-16)	1)CARE A4+ (24-October-14)
4.	Non-fund-based - ST-Forward Contract	ST	0.35	CARE A4+	-	-	1)CARE A4+ (17-March-16)	1)CARE A4+ (24-October-14)

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CIN - L67190MH1993PLC071691