

Shree Hari Chemicals Export Limited

December 01, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	2.00	CARE BB, Stable (Double B ,Outlook : Stable)	Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative)
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 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 FY17 and operating losses in H1FY18, 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

Modest scale of operations: SHCEL's scale of operations grew at Compounded Annual Growth Rate (CAGR) of 17.25% during the period FY14-17. However, the total income has improved in FY17 but remained fluctuated in H1FY18 on account of reduced realization.

Fluctuating profitability: Profitability level of the entity remained fluctuating trend owing to high fluctuation in the H Acid prices. Further due to increase in prices of the product manufactured, PBILDT margin has also been highly fluctuating during last three years ended FY17 and H1FY18.

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.

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.

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

Comfortable capital structure and liquidity position: SHCEL's capital structure continues to remain comfortable owing to healthy net worth base and lower dependence on external borrowings. Debt coverage indicators have deteriorated in FY17 but remained at moderate level with low debt levels. Liquidity position of the entity also remained comfortable with moderate cash balance and liquid investment.

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 (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)	H1FY18 (Prov)
Total operating income	103.67	117.07	32.91
PBILD	4.13	1.35	-5.79
PAT	1.12	-1.83	-5.01
Overall gearing (times)	0.03	0.02	0.03
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. 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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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-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+; 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+ (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+ (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+ (26-Apr-17)	-	1)CARE A4+ (17-Mar-16)	1)CARE A4+ (24-Oct-14)

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