

Press Release

Shree Chemfood Private Limited

June 15, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.14.00 crore bank facilities of Shree Chemfood Private Limited (SCPL). The outlook is '**Stable**'.

Shree Chemfood Private Limited (SCPL) based at Gujarat was incorporated in 2009. The company is engaged in manufacturing and exporting of edible and other salts needs of industries. SCPL is promoted by its directors, Mr. Chhaganlal Goyal, Mr. Sajjan Agarwal, Mr. Kiran Bakutra and Mr. Mohit Agarwal among others.

SCPL is specialised in the Triple Refined edible, Industrial and Iron fortified salt. The company has installed capacity of 1500 MT per day. SCPL exports their products in UAE, Saudi Arabia, Arab and Africa.

Key Rating Drivers

Strengths

• Experience management

The promoters of the company are in the same line of business since inception. They possess more than two decade of experience through their association with other firms. The promoters experience and their robust network have helped company to build long standing relations with customers in domestic as well as international market.

• Improving revenue

The operating income of the company is growing at 75.00 percent compounded annual growth rate (CAGR) for 2015 to 2017. The operating revenue increased to Rs.93.61 crore in FY2017 from previous Rs.40.20 crore in FY2016 and Rs.17.32 crore in FY2015 due to increase in demand for the products in domestic and international market. However, the revenue for FY2018 (Provisional) stood lower than the previous year at Rs.73.36 crore due to logistical and climatic issues during the year.

• Geographically well diversified

SCPL has geographically well diversified client portfolio and caters to West Bengal, Bihar, Uttar Pradesh, Himachal Pradesh, Punjab, Madhya Pradesh and Hyderabad. The company also exports 15.00 percent of its production to countries like UAE, Saudi Arabia, Arab and Africa.

Weaknesses

• Moderate working capital operations

The operations are working capital intensive reflected in the Gross Current Assets of around 126 days as on 31 March, 2018 (Provisional) an increase from 97 days as on 31 March, 2017. However, working capital cycle of the company stood comfortable at 35 days in 31 March, 2018 (Provisional) and 16 days in 31 March, 2017. The current ratio is moderate at 1.27 times in FY2018 (Provisional).

• Exposure to climatic risks

Since the company is engaged in the processing of Salt, the profit margins are exposed to climatic risks such as monsoon. These can be seen through decline in revenues for FY2018 (Provisional).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SCPL to arrive at the rating.

Outlook: Stable

Acuite believes that the outlook on SCPL will remain 'Stable' over the medium term on account of the promoter's extensive experience. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	93.61	40.20	17.32
EBITDA	Rs. Cr.	2.09	1.71	1.26
PAT	Rs. Cr.	0.34	0.12	0.01
EBITDA Margin	(%)	2.24	4.25	7.28
PAT Margin	(%)	0.36	0.31	0.04
ROCE	(%)	8.63	8.61	13.61
Total Debt/Tangible Net Worth	Times	1.34	1.01	1.40
PBDIT/Interest	Times	1.86	1.84	1.69
Total Debt/PBDIT	Times	5.28	4.70	5.19
Gross Current Assets (Days)	Days	97	207	155

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB / Stable

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About Acuite Ratings & Research:

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