

Press Release

Shree Chemfood Private Limited

July 05, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 14.00 crore
Long Term Rating	ACUITE BB/ Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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 to UAE, Saudi Arabia, Arab and Africa.

Analytical Approach

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

Key Rating Drivers:

Strengths

Experienced management

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

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 such as UAE, Saudi Arabia, Arab and Africa.

Weaknesses

Fluctuating revenue

The operating income has increased to Rs. 90.33 crore in FY2019 (Estimated) from Rs. 64.98 crore in FY2018 and Rs. 93.61 crore in FY2017. This was mainly due to monsoon floods and logistic problem. However, the operating margins are continuously improving to 3.77 percent in FY2019 (Estimated) from 2.24 percent in FY2018.

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. This can be seen through decline in revenues for FY2018 (Provisional).

Liquidity Position:

Liquidity position of SCPL is stretched with respect to net cash accruals vis-à-vis its term debt obligations. The average working capital utilisation for the past six months stood at 95%. It has maintained unencumbered cash and bank balance of Rs. 0.08 crore as on March 2018. The operations are working capital intensive reflected in Gross Current Assets of around 146 days as on 31 March, 2018, an increase from 97 days as on 31 March, 2017. The current ratio is moderate at 1.27 times in FY2018.

Outlook: Stable

Acuité believes that the outlook on SCPL will remain 'Stable' over the medium term on account of the promoters' 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	64.98	93.61	40.20
EBITDA	Rs. Cr.	2.45	2.09	1.71
PAT	Rs. Cr.	0.21	0.34	0.12
EBITDA Margin	(%)	3.77	2.24	4.25
PAT Margin	(%)	0.33	0.36	0.31
ROCE	(%)	8.84	8.63	8.58
Total Debt/Tangible Net Worth	Times	1.70	1.34	1.01
PBDIT/Interest	Times	1.61	1.86	1.84
Total Debt/PBDIT	Times	5.60	5.28	4.70
Gross Current Assets (Days)	Days	146	97	207

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-June-2018	Cash Credit	Long Term	10.00	ACUITE BB / Stable (Assigned)
	Term Loans	Short Term	3.50	ACUITE BB / Stable (Assigned)
	Proposed Bank facility	Long Term	0.50	ACUITE BB / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.50 (Revised from Rs. 3.50 crore)	ACUITE BB/ Stable (Reaffirmed)
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	1.50 (Revised from Rs. 0.50 crore)	ACUITE BB/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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