

## Press Release

**Shree Chemfood Private Limited**

September 14, 2020



### Rating Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs.14.00 Cr.
<b>Long Term Rating</b>	ACUITE BB (Withdrawn)

\* Refer Annexure for details

### Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.14.00 crore bank facilities of Shree Chemfood Private Limited (SCPL).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 rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the bank.

Shree Chemfood Private Limited (SCPL), based at Gujarat, was incorporated in 2009. The company is engaged in manufacturing and exporting of edible and other salt 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 specialized in the Triple Refined edible, industrial and Iron fortified salt. SCPL exports their products to UAE, Saudi Arabia, Arab and Africa.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoters of the company are in the same line of business since its inception. They possess more than two decades of experience in the same line of business through their association with other firms. The promoters experience and their robust network have helped the company to build long relationships with its customers both in domestic as well as in the international market. On the back of stable and repeated orders from its customer, the operating income of the company has increased by around 7.99 percent to Rs.86.17crore (Prov.) in FY2020 from Rs.79.80crore in FY2019.

Acuité believes that the company will benefit from the extensive experience of the promoters, along with a healthy relationship with its customer and suppliers.

- **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

- **Working capital intensive nature of operations**

SCPL's working capital operation is intensive in nature as it is reflected by its Gross Current Asset (GCA) days of around 131 days (Prov.) in FY2020 as against 152 days in FY2019. The company maintains an

inventory holding period of 17 days (Prov.) as on 31 March, 2020 as against 30 days as on March 31, 2019. SCPL has receivable days of 96 (Prov.) as on 31 March, 2020. On the other hand, the credit payment to its supplier has declined to 98 days (Prov.) as on 31 March, 2020 as against 113 days as on 31 March, 2019. As a result, the average bank limit utilization stood moderate at around 89.63 percent for six months ended August, 2020, while its peak utilization was high at around 99.20 percent during the same period. Acuité expects the working capital management to remain intensive over the medium term on account of stretched receivables.

#### • Above average financial risk profile

The financial risk profile is moderate, marked by modest net worth, high gearing and moderate debt protection metrics. The company's net worth is modest and is estimated at around Rs.7.72crore (Prov.) as on 31 March, 2020 as against Rs.7.29crore as on 31 March, 2019. The gearing of the company has improved but still remains high at 1.76 times (Prov.) as on March 31, 2020 as against 2.09 times as on March 31, 2019. The total outstanding borrowing as on March 31, 2020 is Rs.13.58crore consists of long term borrowings of Rs.2.91crore and short term borrowing of Rs.9.70crore as on 31 March, 2020. As on March 31, 2020, the total outside liabilities to tangible Net Worth (TOL/TNW) stood at 3.76 times (Prov.) as on 31 March, 2020 as against 4.43 times as on 31 March, 2019. The company, on the other hand, generated cash accruals of Rs.1.06crore (Prov.) in FY2020.

The revenue of the company has increased by around 7.99 percent to Rs.86.17crore (Prov.) in FY2020 from Rs.79.80crore in FY2019. Interest Coverage Ratio (ICR) has improved to 1.75 times (Prov.) in FY2020 as against 1.54 times in FY2019. The NCA/TD stood at 0.08 times (Prov.) as on 31 March, 2020 as against 0.05 times as on 31 March, 2019.

#### Liquidity Position: Adequate

The company has adequate liquidity, marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.06crore (Prov.) in FY2020 as against the maturing debt obligations of Rs.0.75crore during the same period. The company's working capital operations are intensive marked by the Gross Current Asset (GCA) days of 131 days (Prov.) in FY2020 as against 152 days in FY2019. The average bank limit utilization stood moderate at around 89.63 per cent for six months ended August, 2020. The company maintains unencumbered cash and bank balances of Rs.0.52crore (Prov.) as on 31 March 2020. The current ratio stands at 1.24 times (Prov.) as on 31 March 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate net cash accruals to its debt repayments over the medium term.

#### Rating Sensitivities

Not Applicable

#### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	86.17	79.80
PAT	Rs. Cr.	0.42	0.10
PAT Margin	(%)	0.49	0.12
Total Debt/Tangible Net Worth	Times	1.76	2.09
PBDIT/Interest	Times	1.75	1.54

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

Not Applicable

#### Any other information

None

#### Any Material Covenants

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-July-2019	Cash Credit	Long Term	10.00	ACUITE BB/Stable (Reaffirmed)
	Term Loans	Long Term	2.50	ACUITE BB/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.50	ACUITE BB/Stable (Reaffirmed)
15-Jun-2018	Cash Credit	Long Term	10.00	ACUITE BB/Stable (Assigned)
	Term Loans	Long 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 (Withdrawn)
Term loans	April,2017	Not Applicable	April,2022	2.50	ACUITE BB (Withdrawn)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB (Withdrawn)

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**About Acuité Ratings & Research:**

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