



Sudarshan Chemical Industries Limited

Rating

Instrument	Amount	Rating Action
Term Loans	Rs. 248.85 crore (enhanced from Rs. 96.41 crore)	[ICRA]A (stable) reaffirmed / assigned
Fund Based Limits	Rs. 185.00 crore (enhanced from Rs. 150.00 crore)	[ICRA]A (stable) / [ICRA]A1 reaffirmed / assigned
Non-Fund Based Limits	Rs. 100.00 crore (enhanced from Rs. 75.00 crore)	[ICRA]A1 reaffirmed / assigned

ICRA has reaffirmed the long-term rating of [ICRA]A (pronounced ICRA A) and short-term rating of [ICRA]A1 (pronounced ICRA A one) assigned to the term loans, fund based limits and non-fund based limits of Sudarshan Chemical Industries Limited (SCIL) aggregating to Rs. 533.85 crore¹ (enhanced from Rs. 321.41 crore)[†]. The long-term rating has a stable outlook.

The reaffirmation of ratings takes into account the long operating track record of the company and its established position in the domestic pigments industry, presence in various varieties of pigments that reduces demand risks associated with any particular variety and a strong and diversified customer base. The company's production levels in the Pigment business have been increasing on account of gradual enhancement of manufacturing capacities and healthy capacity utilisation levels, also supported by growing demand. Further, the company has an established distribution network in the domestic market and has setup wholly owned subsidiaries in Europe and USA to meet the demand from export markets.

The ratings however remain constrained by the exposure of the company's profitability to movement in raw material prices, as reflected in sharp increase in prices of certain key raw materials affecting its profitability during the current fiscal, as well as vulnerability of the business to the performance of the end-user industries and stiff competition in global markets from large and reputed players. The company has undertaken a large scale debt-funded expansion in the past two fiscals towards expansion of capacities in Pigments business which coupled with increased working capital requirements for overseas business, has resulted in deterioration of the capital structure to some extent. The ratings also take into account the support being provided by SCIL to its wholly owned subsidiaries (especially to the foreign subsidiaries in Europe and North America) in the form of loans as well as corporate guarantees, and thus the ability of these subsidiaries to successfully scale up its operations so as to report budgeted profitability levels remains critical from a credit perspective.

Company Profile

SCIL was incorporated in 1951 and till 1970's it was engaged in the production of Organic and Inorganic Pigments and intermediates and diversified into the production of Agrochemicals in 1982. It is a part of the Rathi group of companies with manufacturing facilities at Roha and Mahad in Maharashtra. As on December 2011, SCIL has a production capacity of about 23,580 MTPA for Pigments and 3,520 MTPA for Agro Chemicals. It has three wholly owned subsidiaries – viz. Prescient Color Ltd (India), Sudarshan Europe B.V. (Netherlands) and Sudarshan North America, Inc. (USA).

For FY 2011, the company reported Profit after Tax (PAT) of Rs. 55.81 crore on an operating income of Rs. 708.50 crore. During the 9-month period of FY 2012, the company has reported PAT of Rs. 27.76 crore on an operating income of Rs. 551.90 crore.

March 2012

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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