

## Shree Pushkar Chemicals & Fertilisers Limited

January 31, 2019

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash Credit	42.00	42.00	[ICRA]A+ (Stable); Reaffirmed
Fund-based - SLC	1.50	1.50	[ICRA]A+ (Stable); Reaffirmed
Non-fund based – Letter of Credit/Bank Guarantee/Off balance exposure	36.82	36.82	[ICRA]A1; Reaffirmed
<b>Total</b>	<b>80.32</b>	<b>80.32</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The reaffirmation of ratings takes into account the healthy financial profile of Shree Pushkar Chemicals and Fertilisers Limited (SPCFL) characterised by healthy profitability and return indicators as well as low reliance on external borrowings resulting in comfortable gearing levels. The ratings continue to factor in the cost-competitiveness of SPCFL supported by its fully-integrated operations in dyes & dye-intermediate business segment. ICRA notes the ramp up of production of the company's reactive dyes manufacturing facility that has led to healthy improvement in profitability in H1 FY2019. Further, the demand outlook remains favourable for dyes & chemical business as a result of stringent pollution control norms in key producing regions which benefit the company. The ratings continue to favourably factor the long track record of SPCFL in the business as well as the extensive experience of the promoters in the line of business. ICRA positively notes the dismissal of the civil suit filed by Huntsman International (India) Private Limited against a group company of SPCFL by the High Court of Delhi vide its order dated February 21, 2018.

The ratings are, however, constrained on account of the vulnerability of the company's profitability to adverse fluctuations in the cost of raw materials as well as intense competitive pressures persistent in the industry. The ratings also take into account the regulatory risk associated with the fertiliser business and further susceptibility of the profitability margins to foreign exchange fluctuations. The company's operations are exposed to any delays in the receipt of subsidy from the Government of India (GoI) for its fertiliser business. The company plans to undertake sizeable capex of ~Rs. 75 crore by FY2020 to enhance its capacities across various products, which would expose it to execution risks. Nonetheless, the project would be funded entirely through internal accruals and thus the company's gearing and debt coverage metrics are expected to remain comfortable.

### Outlook: Stable

ICRA believes Shree Pushkar Chemicals & Fertilisers Limited will continue to benefit from the stable demand in the industry and extensive experience of its promoters. The outlook may be revised to 'Positive' if the new capacities are commissioned in a timely manner along with healthy ramp up of operations which results in material improvement in overall cash accruals. The outlook may be revised to 'Negative' if the company raises any sizeable debt for its capex programme that would lead to deterioration in the capital structure or faces any material weakening in its working capital cycle due to delay in collection of subsidies for its fertilisers business.

## Key rating drivers

### Credit strengths

**Established track record in the dye intermediates business** - SPCFL has a long track record in the dye and dye intermediates business as well as a strong customer profile. The extensive experience of the promoters in the line of business also provides comfort against any marketing related risks. Furthermore, SPCFL enjoys locational advantage arising from proximity to raw material sources and end-user industries.

**Completely integrated operational structure** - SPCFL is advantageously placed vis-a-vis its peers as it has a zero-discharge unit and is cost-competitive due to fully integrated operations in dyes & dye-intermediate business segment which in turn enables the company to maintain healthy profitability levels. Moreover, the demand outlook remains favourable for dyes & chemical business as a result of stringent pollution control norms in key producing regions which continues to benefit the company.

**Healthy financial profile** - The company's profitability levels and return indicators have been healthy and saw further improvement in H1 FY2019 backed by ramp up of operations in the dyestuff manufacturing facility. The company continues to maintain healthy cash accruals and low gearing levels which strengthen SPCFL's financial position. The liquidity position remains healthy as reflected by low utilisation of the working capital bank limits.

### Credit challenges

**Vulnerability to input price fluctuations** – The company's operating profitability remains exposed to adverse fluctuations in the cost of raw materials as well as any revisions in the import duty levels. Furthermore, SPCFL is also exposed to the intense competitive pressures in the industry.

**Regulatory risk associated with the fertiliser business** – The company's fertiliser business faces high regulatory risk as any reduction or delays in the subsidy payable by the GoI could affect the company's financial profile. Further, the profitability margins of the fertilizer business are vulnerable to volatile raw material prices and foreign exchange fluctuations.

**Increase in working capital intensity** – The company's debtor days remain high on the back of pending receivables from Huntsman International (India) Private Limited, post the litigation filed by the latter against a group company of SPCFL. Apart from that, delay in the receipt of subsidy for sales of SSP also contributed to the increase in the working capital intensity of SPCFL in FY2018 although the past trend of subsidy recovery mitigates the risk for the company.

### Liquidity Position:

The company's cash flow from operations has been positive for most of the fiscals supported by the healthy profitability levels, though the cash flows were impacted in FY2018 due to the increase in working capital intensity, which is expected to improve in the current fiscal. The liquidity of the company remains comfortable given the healthy cash flows and limited long-term debt repayment obligations. Further, the company has sizeable unutilised working capital bank limits which support its liquidity profile.

## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Entities in the Chemical Industry</a> <a href="#">Rating Methodology for Entities in the Fertiliser Industry</a>
Parent/Group Support	NA
Consolidation / Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Shree Pushkar Chemical & Fertilisers Limited. As on March 31, 2018, the Company had 1 subsidiary that is enlisted in Annexure-2

## About the company

Shree Pushkar Chemicals and Fertilisers Limited (SPCFL) was incorporated on March 29, 1993 by Mr. Punit Makharia as, Shree Pushkar Petro Products Limited. The company is essentially engaged in the production of dyestuffs and dye intermediates, fertilisers like Single Super Phosphate (SSP) and Soil Conditioner (SC), chemicals like sulphuric acid and Di Calcium Phosphate (DCP), i.e. cattle feed. The promoters ventured into this business with trading activities and were importing dye intermediates and selling in the domestic market, mainly in Maharashtra and Gujarat. However, in the year 1998-99, they ventured into production activities and set-up manufacturing facility with a single product plant for Gamma Acid at MIDC, Lote Parshuram in Maharashtra. Over the years, the company has expanded its activities into manufacturing of complimentary and allied products like K Acid, Vinyl Sulphone, Acetanilide, Meta Uriedo Aniline, and R Salt. The company's operations are largely integrated and it has added few products through backward integration or utilization of the byproducts from the existing operations. In September 2017, the company acquired Kisan Phosphates Private Limited (KPPL) which has a manufacturing facility at Hisar (Haryana) for SSP, DCP and Soil conditioner. SPCFL is currently setting up a sulphuric acid plant at KPPL's manufacturing site.

## Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	305.9	395.3
PAT (Rs. crore)	30.2	36.5
OPBDIT/OI (%)	16.7%	15.4%
RoCE (%)	26.0%	21.5%
Total Debt/TNW (times)	0.1	0.3
Total Debt/OPBDIT (times)	0.3	1.1
Interest coverage (times)	20.4	21.4

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

### Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018		Date & Rating in FY2017	Date & Rating in FY2016	
				Jan 2019	Dec 2017	Oct 2017	Oct 2016	Nov 2015	
1 Cash Credit	Long Term	42.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A- (Stable)	
2 Standby Line of Credit	Long Term	1.50	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A- (Stable)	
3 Letter of Credit/ Bank Guarantee/Off balance exposure	Short Term	36.82	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A2+	

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	42.00	[ICRA]A+ (Stable)
NA	Standby Line of Credit Letter of Credit/ Bank	NA	NA	NA	1.50	[ICRA]A+ (Stable)
NA	Guarantee/Off balance exposure	NA	NA	NA	36.82	[ICRA]A1

Source: Shree Pushkar Chemicals & Fertilisers Limited

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Kisan Phosphates Private Limited	100%	Full Consolidation

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