

Solaris Chemtech Industries Limited

May 03, 2019

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Cash Credit	30.00	[ICRA]A+ (SO) (Stable); assigned
Fund-based - Term Loan	550.00	[ICRA]A+ (SO) (Stable); assigned
Non-fund based limits	20.00	[ICRA]A1 (SO); assigned
Unallocated Limits	20.00	[ICRA]A+ (SO) (Stable)/A1 (SO); assigned
Total	620.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings are based on an unconditional and irrevocable corporate guarantee from Agrocel Industries Private Limited (Agrocel / the guarantor, rated [ICRA]A+ (Stable)/ [ICRA]A1) for the Rs. 620.00-crore bank lines of Solaris Chemtech Industries Limited (Solaris/SCIL) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary.

Rating Rationale of Agrocel Industries Private Limited

Outlook: Stable

The rating outlook of Solaris is driven by the rating outlook of the guarantor. The outlook may be revised if there is any change in the outlook of Agrocel, the guarantor.

Key rating drivers

Credit strengths

Corporate guarantee and undertaking provided by Agrocel towards the rated bank facilities of the company - The rating derives comfort from the irrevocable and unconditional corporate guarantee extended by Agrocel, and the undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary.

Liquidity position

The liquidity of the company is dependent on the liquidity profile of the guarantor.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	The ratings are based on the unconditional and irrevocable corporate guarantee of the parent company, Agrocel Industries Pvt. Ltd.
Consolidation/Standalone	Not applicable, since the ratings are based on the unconditional and irrevocable corporate guarantee of Agrocel Industries Pvt. Ltd.

About the company

Agrocel acquired Solaris in December 2018 at an enterprise value of Rs. 760 crore from Avantha Holdings Ltd. Post this, Solaris became a wholly-owned subsidiary of Agrocel.

Solaris, incorporated in 2001, manufactures bromine and bromine-based speciality chemicals. It has access to 67,000 acres of salt desert in the Great Rann of Kutch, Gujarat. Its products include bromine, brominated flame retardants, speciality chemicals and active pharmaceutical ingredient intermediates. Solaris's plants are located next to its reservoirs in the Great Rann of Kutch, adjacent to Agrocel's manufacturing facility. The manufacturing capacity is ~23,500 MT per annum of bromine and additional 10,000 MT per annum of bromine derivatives.

In FY2018, the company reported a net loss of Rs. 72.6 crore on an OI of Rs. 195.9 crore, compared to a net profit of Rs. 1.6 crore on an OI of Rs. 161.9 crore in the previous year. In 9M FY2019, on a provisional basis, the company reported a net loss of Rs. 264 crore on an OI of Rs. 242 crore. Losses are mainly on account of one-time exceptional items.

About the Guarantor

Agrocel Industries Private Limited is a part of the Excel Group of companies, promoted by the Shroff family. Its Group companies include Excel Industries Limited and Transpek Industries Limited, among others. Agrocel has two business divisions operating in diverse segments—marine chemical and agro-service. The marine chemical division, established in 1994, manufactures bromine and bromine-based speciality and fine chemicals. The facilities are at the Great Rann of Kutch and Bhavnagar in Gujarat. The agro-service division, established in 1989, undertakes agriculture-related activities and deals primarily in the niche organic and fair trade markets.

Key financial indicators - Solaris

	FY2017	FY2018
Operating Income (Rs. crore)	161.9	195.9
PAT (Rs. crore)	1.6	-72.6
OPBDIT/ OI (%)	35.4%	41.1%
RoCE (%)	8.3%	-5.3%
Total Debt/ TNW (times)	1.4	1.9
Total Debt/ OPBDIT (times)	6.4	6.5
Interest Coverage (times)	1.3	1.5

Key financial indicators – Agrocel (Standalone)

	FY2017	FY2018
Operating Income (Rs. crore)	238.0	280.7
PAT (Rs. crore)	89.9	70.4
OPBDIT/ OI (%)	38.0%	39.8%
RoCE (%)	71.7%	44.3%
Total Debt/ TNW (times)	0.2	0.0
Total Debt/ OPBDIT (times)	0.3	0.1
Interest Coverage (times)	38.5	54.8

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

S. No.	Instrument		Current Rating (FY2020)			Chronology of Rating History for the past 3 years		
	Type		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
					May 2019	-	-	-
1	Cash Credit	Long Term	30	-	[ICRA]A+(SO) (Stable)	-	-	-
2	Term Loan	Long Term	550	508*	[ICRA]A+(SO) (Stable)	-	-	-
3	Non-fund based limits	Short Term	20	-	[ICRA]A1(SO)			
4	Unallocated limits	Long Term/ Short Term	20	-	[ICRA]A+(SO) (Stable)/ A1(SO)	-	-	-

* as on December 31, 2018

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

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	-	-	-	30	[ICRA]A+(SO)(Stable)
NA	Term Loan	FY2018	9.00%	FY2032	550	[ICRA]A+(SO)(Stable)
NA	Non-fund based limits	-	-	-	20	[ICRA]A1(SO)
NA	Unallocated Limits	-	-	-	20	[ICRA]A+(SO)(Stable)/ A1(SO)

Source: Solaris Chemtech Industries Limited

ANALYST CONTACTS

K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Ankit Patel
+91 79 4027 1509
ankit.patel@icraindia.com

Ravish Mehta
+91 79 4027 1522
ravish.mehta@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents