

Kesar Petroproducts Limited

Instrument	Amount (In Rs. Crore)	Rating Action
Unallocated limits	10.00	[ICRA]B/[ICRA]A4 assigned

ICRA has assigned a long-term rating of [ICRA]B (pronounced ICRA B) and a short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 10.00-crore¹ unallocated limits of Kesar Petroproducts Ltd. (KPL or the company)².

While assigning the ratings ICRA has taken a consolidated view of the two companies - Kesar Petroproducts Ltd. and its related concern, Shreyas Intermediates Ltd., given the common promoters and the business profile. The assigned ratings are constrained by the continuing weak financial performance and a track record of default in servicing of debt obligations by the related concern. ICRA also takes into consideration the susceptibility of the profit margins to the fluctuation in prices of raw materials, which are in turn pegged to crude oil prices, the intense peer pressure in the industry dominated by large organised players, and the vulnerability of the operations to the foreign exchange rate fluctuation risk.

The ratings, however, favourably factor in the extensive experience of the promoters and directors in the organic pigments segment, established relationship with well reputed clients, which have resulted in repetitive business and diverse application of the products across various industries.

ICRA expects a healthy growth in revenues in FY2016-17 compared to that during FY2015-16 supported by the healthy demand for the organic pigments. The company's operating profits would remain vulnerable to adverse movements in prices of key input materials and to the high competitive pressure prevailing in the industry.

Going forward, the company's ability to increase its scale of operations with improved profit margins while managing its working capital requirements and a comfortable capital structure, and the extent of financial support provided to the related concern, which is currently a sick unit, will be the key rating sensitivities from the credit perspective.

About the Company

Kesar Petroproducts Ltd. (KPL) is a public limited company incorporated on January 1, 1990 for manufacturing Bisphenol-A. Due to slow demand of the products manufactured, the company's financial performance deteriorated and it was referred to the Board for Industrial and Financial Reconstruction (BIFR) as a sick unit on December 23, 2005. In January 2008, Mr. Dinesh Sharma took over the company with the focus on manufacturing organic pigments. With the improvement in profitability and reduction in the accumulated losses, the net worth of KPL turned positive, which facilitated its exit from BIFR in December 2012.

KPL at present manufactures organic pigments and the product profile comprises copper phthalocyanine crude (CPC), Alpha Blue, Beta Blue and Green pigments. The company's registered office and manufacturing unit is located in the Maharashtra Industrial Development Corporation in the district of Ratnagiri, Maharashtra. The unit has an installed manufacturing capacity of 12000 MTPA and is operating at ~60% utilisation levels. Shreyas Intermediates Ltd. (SIL) is a related concern of KPL, which was set up in 1989 and also manufactures CPC crude. SIL's financial profile has remained stressed and has defaulted in debt repayment obligations in the past.

Recent Results:

In FY2016 the company reported a net profit of Rs. 12.10 crore on an operating income of Rs. 144.05 crore.

June 2016

¹100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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