

Rating Advisory

April 20, 2018 | Mumbai

Sadhana Nitro Chem Limited

Advisory as on April 20, 2018

This rating advisory is provided in relation to the rating of Sadhana Nitro Chem Limited

The key rating sensitivity factors for the rating include:

- Profitability from core business operations
- Revenue contribution from meta amino phenol (MAP)

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Sadhana Nitro Chem Limited (SNCL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If SNCL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Company

SNCL was incorporated in 1973, promoted by the late Mr D T Javeri. The company is managed by his son. It manufactures benzene-based compounds such as nitrobenzene, metanilic acid, and meta amino phenol.

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Rating Rationale

January 13, 2017 | Mumbai

Sadhana Nitro Chem Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.27.32 Crore
Long Term Rating	CRISIL B/Stable (Reaffirmed)
Short Term Rating	CRISIL A4 (Reaffirmed)

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL B/Stable/CRISIL A4' ratings on the Rs 27.32 crore bank facilities of Sadhana Nitro Chem Limited (SNCL).

The rating continues to reflect the modest scale of operations and low PAT margins, leading to a weak financial risk profile. The rating weaknesses are partially offset by extensive experience of promoters in the chemicals industry and integrated manufacturing facilities, which is expected to drive growth in the future.

Key Rating Drivers & Detailed Description

Weaknesses

* **Modest scale of operations:** SNCL's modest scale, reflected in estimated sales of 34.5 crore in fiscal 2016, will restrict pricing flexibility and bargaining power with suppliers and customers.

* **Weak financial risk profile:** The financial risk profile is constrained by a negative networth due to loss in fiscal 2016. Also, weak liquidity led to large working capital debt. However, focus on cost management and reduction in interest outgo will improve the financial risk profile over the medium term.

Strengths

* **Extensive industry experience of promoters in the chemical industry:** SNCL was founded by the Javeri family, and its current management has been in the benzene-based compounds business for over 30 years. The management's industry experience, and ability to withstand business cycles will benefit the company. Also, CRISIL believes the management's support in the form of liquidity support and operational direction will be critical.

* **Integrated manufacturing facilities, expected to lead to recovery in sales and profitability:** SNCL's manufacturing facility includes a well-equipped quality control laboratory, and research and development facility (recognised by the Department of Scientific and Industrial Research of the Indian government) for carrying out work on downstream derivatives and chemical intermediaries. SNCL has been awarded the status of Star Export House by the Directorate General of Foreign Trade. Focus on improving capacity utilisation will lead to better cost management over the medium term.

Outlook: Stable

CRISIL believes SNCL will continue to benefit from its promoters' extensive experience. The outlook may be revised to 'Positive' if better cash accrual and increased scale help strengthen the financial risk profile, especially liquidity. The outlook may be revised to 'Negative' if profitability remains under pressure or if a considerable stretch in working capital cycle weakens liquidity.

About the Company

SNCL was incorporated in 1973, promoted by the late Mr D T Javeri. The company is managed by his son. It manufactures benzene-based compounds such as nitrobenzene, metanilic acid, and meta amino phenol.

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate	Maturity Date	Issue Size (Rs Cr.)	Rating Assign Outlook
NA	Cash Credit	NA	NA	NA	14.0	CRISIL B/
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	10.0	CRISIL
NA	Proposed Long-Term Bank Loan Facility	NA	NA	NA	3.32	CRISIL B/

1 crore = 10 million

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014	
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based Bank Facilities	LT/S T	17.32	CRISIL B/Stable		No Rating Change		No Rating Change	22-05-15	CRISIL B/Stable	30-10-14	CRISIL B-/Stable
Non Fund-based Bank Facilities	LT/S T	10	CRISIL A4		No Rating Change		No Rating Change		No Rating Change	30-10-14	CRISIL A4

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	R
Cash Credit	14	CRISIL B/Stable	Cash Credit	14	C B/
Letter of credit & Bank Guarantee	10	CRISIL A4	Letter of credit & Bank Guarantee	10	CR
Proposed Long Term Bank Loan Facility	3.32	CRISIL B/Stable	Proposed Long Term Bank Loan Facility	3.32	C B/
Total	27.32	--	Total	27.32	

1 crore = 10 million

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Chemical Industry](#)

[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)

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Last updated: April 2016

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