Rating Rationale

HIMACHAL CHEMICALS & SILICATE WORKS

5 Nov 2018

Brickwork Ratings assigns the ratings for the bank loan facilities of Himachal Chemicals & Silicate Works.

Particulars:

Facility Rated	Amount (Rs. Crs)	Tenure	Assigned rating*
Fund Based Cash Credit Limit	2.35	Long Term	**BWR BB-** (Pronounced as BWR Double B Minus) Outlook- Stable
Proposed O.D Limit	5.00		
Total	**Rs 7.35 Crores (INR Seven Crores & Thirty Five Lakhs Rupees Only)**		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rating Assigned:

BWR has assigned Long Term Rating of BWR BB- *(Outlook: Stable)* for the bank loan facilities of Himachal Chemicals & Silicate Works. ('the firm')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results upto FY18, Projected financials of FY19, publicly available information and information/clarifications provided by the firm's management.

The rating draws strength from the experienced promoters, Y-O-Y increase in revenues, comfortable debt service indicators, low gearing ratio, comfortable profitability margins and satisfactory liquidity profile. However the rating is constrained by low scale of operations, inherent risks associated with mining business and limitations of Partnership constitution. Going forward, ability of the firm to improve its scale of operations, increase its net worth and to manage its profitability would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes that " Himachal Chemicals & Silicate Works' business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show

sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the firm to arrive at the rating. (Reference may be made to the Rating Criteria hyperlinked below)

Description of Key Rating Drivers:

Credit Strengths:

1. **Long Experience of Promoters in the same line of business :** Established in 1985, Himachal Chemical & Silicate Works manufacturers silica sand, stone aggregate, and washed sand . The Promoters have experience of more than three decades in this line of business. The firm is in existence for 33 years and has seen complete business cycles.
2. **Low Gearing Ratio :** The firm has low gearing ratio with TOL/TNW of 0.80 times in FY18.
3. **Comfortable Debt Service Indicators** : The firm has comfortable debt service indicator s with Interest Service Coverage Ratio (ISCR) of 3.77 times and Debt Service Coverage Ratio (DSCR) of 2.51 times in FY18.
4. **Comfortable Profitability Margins :** The firm has comfortable profitability margins with Net Profit Margins of 2.26% and Operating Profit Margins of 11.94% in FY18.
5. **Satisfactory liquidity Profile :** The firm has satisfactory liquidity profile with current ratio of 2.10 times in FY18

Credit Weakness:

1. **Low Scale of Operations :** The firm has small scale of operations with revenues of Rs 14.28 crores and PAT of Rs 0.32 crores in FY18.
2. **Limitations of Partnership Concern :** The withdrawal of capital by the partners for any personal contingency would adversely affect the capital structure of the firm.

About the firm

Himachal Chemicals & Silicate Works is a partnership firm established in 1985 promoted by Mr Jasjit Singh Sidhu and Mr Manmeet Singh Sidhu. The firm is engaged in the manufacturing of silica sand, stone aggregate and washed sand of various sizes. The firm has its two units located at V & P.O Bathu, District Una, Himachal Pradesh and its head office located at Chandigarh.

Firm's Financial Performance:

Total operating income (TOI) has improved from Rs 12.69 Cr in FY17 to Rs 14.28 Cr. in FY18. PAT has improved from Rs 0.32 Cr in FY17 to Rs. 1.32 Cr in FY18.

Key Financial Ratios:

	Units	FY18 (A)	FY17(A)
Net Sales/Revenues	Rs in C r	14.28	12.69
EBITDA	Rs in Cr	1.71	1.12
PAT	Rs in Cr	0.32	0.05
Tangible Net Worth	Rs in Cr	5.66	5.35
TOL : TNW	Times	0.80	0.51
Current Ratio	Times	2.10	2.09

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	**Fund Based** Cash Credit Limit Prop O.D Limit	Long Term	2.35 5.00	**BWR BB-** (Pronounced as BWR Double B Minus) Outlook- Stable	**NA**	**NA**	**NA**
		Total	**Rs 7.35 Crores (INR Seven Crores Thirty Five Lakhs Rupees Only)**				

Status of non-cooperation with previous CRA (if applicable) – NA
Any other information – NIL
Hyperlink/Reference to applicable Criteria

General Criteria
Approach to Financial Ratios
Manufacturing Sector

5 Nov 2018

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Note on complexity levels of the rated instrument:
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About Brickwork Ratings
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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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