



Rating Rationale

Kashmir Chemicals

11Dec2018

Brickwork Ratings revises the Rating to BWR B+ (Outlook:Stable) for the Bank Loan Facilities of Rs.5.20 Crs of Kashmir Chemicals ('KC' or 'the Firm')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Nov 2017)	Present (Dec 2018)
Fund based					
Cash Credit	4.00	4.00	Long Term	BWR B- (Pronounced as BWR Single B Minus)	BWR B+ (Pronounced as BWR Single B Plus) Upgraded
Term Loan	2.66	1.20**			
Total	6.66	5.20	INR Five Crores Twenty Lakhs Only		

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

Annexure I shows the detailed facilities **Outstanding balance

Rating : Long term rating Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the Company upto FY18 and publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the partner's experience in chemical industry, improvement in revenue and comfortable debt coverage indicators. However, the rating remains constrained by small scale of operation, high gearing, low capital base, low profitability and weak current ratio, regulatory and, agro-climatic risk and inherent risk.

Going forward the ability of the Firm to increase its scale of operation, improve its overall financial risk profile and manage its working capital efficiently would be the key rating sensitivities.

Key Rating drivers

Credit strengths

The partners of KC have more than two decades' experience in fertilizer industry. In FY18, the firm's net sales increased to Rs.47.64 Crs as against Rs.35.38 Crs in FY17, resulting in an operating profit of Rs.3.65 Crs in FY18 as compared to operating loss of Rs.0.54 Crs in FY17.

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Credit Weaknesses

Although improved but the scale of operation still remained relatively small. For FY18, interest and debt coverage indicators of the Firm was comfortable at 5.05x and 2.26x respectively. As on March 31, 2018 due to low capital base of Rs.3.15 Crs, total gearing of the Firm remained high at 2.23x as against 3.52x as on March 31, 2017. Due to the Firm's limited bargaining power against reputed customers, the operating profit margin for FY18 was low at 7.62%. Owing to high trade payables, the current ratio of the Firm continued low at 0.95x as on March 31, 2018. The fertilizer industry is highly regulated and is highly dependent on agro-climatic conditions in the Country. The Firm carries an inherent risk of capital withdrawal by the Partners in an event of personal contingencies.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

Rating Outlook: Stable

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

About the Firm

Kashmir Chemicals was established in March 2015 at Samba, Jammu & Kashmir. It is a partnership firm and engaged in manufacturing of chemicals, pesticides, emulsified concentrates and dust granules. The firm's manufacturing facility is located on a leasehold land at IGC Phase-I, Sambha, Jammu & Kashmir.

Financial Performance

The Firm has recorded Net Sales of Rs.47.64 Crs and PAT of Rs.1.27 Crs in FY 18 as against Net Sales of Rs.35.38 Crs and Net loss of Rs.0.54 Crs in FY17.



Rating History for the last three years:

Sl. No.	Facility	Current Rating (Dec 2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	16.9.2017	8.9.2016	2015
1	Fund based	Long Term	4.00	BWR B+ (pronounced as BWR Single B Plus) (Outlook:Stable) Upgraded	BWR B- (pronounced as BWR Single B Minus) (Outlook:Stable) Downgraded	BWR B (pronounced as BWR Single B) (Outlook:Stable) Assigned	Not Rated
	Cash Credit		1.20				
	Term Loan		5.20	INR Five Crores Twenty Lakhs Only			

Status of Non cooperation with other CRA : Not to our knowledge

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing companies](#)

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**Annexure I
Details of Rated Bank Facilities**

Bank	Name of Facility	Rated Amount (Rs. Crs)
The Jammu & Kashmir Bank Ltd.	Cash Credit	4.00
	Term Loan	1.20
Total		5.20

Annexure II

Key Financial Indicators

		31.3.2018 Audited	31.3.2017 Audited
Net Sales	(Rs. Cr)	47.64	35.38
EBITDA	(Rs. Cr)	3.65	(0.54)
PAT	(Rs. Cr)	1.27	(0.36)
Partner's Capital (PC)	(Rs. Cr)	3.15	1.88
Total Debt:PC	(Times)	2.23	3.52
Current Ratio	(Times)	0.95	0.95

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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.



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