



Rating Rationale

Mahashakthi Chemicals & Fertilizers Pvt Ltd

30 Jan 2018

Brickwork Ratings reaffirms BWR B+ for the bank loan facilities of ₹ 8.12 Crores of Mahashakthi Chemicals & Fertilizers Pvt Ltd ('MCFPL or the Company')

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present*		Previous Dec 2016	Present
Fund Based					
Cash Credit	4.50	4.50	Long Term	BWR B+ (Pronounced BWR Single B Plus) Outlook: Stable	BWR B+ (Pronounced BWR Single B Plus) Outlook: Stable (Reaffirmed)
Term Loans	4.59	3.62			
Total	9.09	8.12	(Rupees Eight Crores and Twelve Lakhs Only)		

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Annexure I provide bank-wise details of facilities.

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company upto FY17, publicly available information and information/clarifications provided by the management.

The ratings continue to draw strength from the experience of MCFPL's promoters in the fertilizer industry, established distribution network and diversified customer base. The rating is, however, constrained by the below average financial risk profile marked by eroded net worth, low scale of operations and thin profitability, exposure to intense competition as entry barriers for fertilizers and chemicals industry are low, susceptibility to risks arising from industry cyclical and volatility in raw material prices.

Going forward, the ability of the company to improve its scale of operations, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

30 Jan 2018



Rating Outlook: Stable

BWR believes **Mahashakthi Chemicals & Fertilizers Pvt Ltd'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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Key Risk drivers

Credit Strengths:

- **Experienced management** - The company is managed by a qualified and experienced team with more than a decade of experience in this sector.
- **Established distribution network:** The company has well established clientele base with around 400 dealers and wholesalers across Karnataka.

Credit Weaknesses :

- **Below average financial risk profile** : The company's financial risk is below average marked by small scale of operations - total operating income (TOI) decreased to Rs. 19.51 crs in FY17 as against total operating income of Rs. 21.21 crs in FY16, weak debt protection metrics as reflected by DSCR of 0.94 times and fully eroded net worth as on 31 March 2017.
- **Regulatory risks and seasonality of the fertiliser business** : Vulnerability of profitability of the fertiliser sector to regulatory policies, agro-climatic conditions, industry cyclicalities and volatility in raw material prices.

Analytical approach

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

About the Company

Mahashakthi Chemicals and Fertilizers Private Limited (MCFPL) (earlier Shree Chamundeswari Fertilizers and Chemicals Private Ltd) was incorporated in November 2012 at Mysore. Commercial operations commenced in January 2015. MCFPL is engaged in manufacture of basic chemicals & fertilizers. The Company has set up a 52500 MTPA plant at Mysore, Karnataka. MCFPL manufactures Nitrogen, Potassium and Phosphorus of different grades i.e. 17:17:17, 20:20:0, 20:10:10, 18:18:10, 10:20:10, 14:6:21 and 15:05:05. The company has diversified clientele of about 400 dealers and wholesalers across Karnataka.

Mr. H.S. Chidananda is the Managing Director. The Board also comprises 8 other directors.

Financial Performance

MCFPL reported total operating income of ₹19.51 Crs and PAT of ₹0.26 Cr in FY17 as against total operating income of ₹21.21 Crs and PAT of ₹0.01 Crs in FY16. Net worth was fully eroded as on 31st March 2017. ISCR and DSCR were 1.96 times and 0.94 times respectively as on 31 March 2017. Current ratio was low at 1.09 times as on 31 March 2017. On a provisional basis, the company has reported sales of around Rs. 12.00 crs for 9MFY18.



Status of non-cooperation with previous CRA (if applicable): Nil

Any other information : NA

Rating History for the last three years :

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History^		
		Type	Amount# (Rs Crs)	Rating	2017	20 Dec 2016*	2015
1	Term Loan	Long term	4.50	BWR B+ Outlook: Stable (Reaffirmed)	-	BWR B+ Outlook: Stable (Assigned)	-
2	Cash Credit		3.62				
Total			8.12	Rupees Eight Crores and Twelve Lakhs Only			

* amount rated Rs. 9.09 crs

Hyperlink/Reference to applicable Criteria

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

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Mahashakthi Chemicals & Fertilizers Pvt Ltd

Annexure I

Bank Facilities Details (Rs. Crs)

Name of the Bank	Facilities	Tenure	Amount (₹ Crores)
Corporation Bank	Cash Credit	Long Term	4.50
	Term Loan		3.62
Total			8.12

Mahashakthi Chemicals & Fertilizers Pvt Ltd

Annexure II

Key Financial Indicators

		FY 16 (A)	FY 17 (A)
Total Operating Income	Rs. Crs	21.21	19.51
EBITDA	Rs. Crs	1.73	1.99
PAT	Rs. Crs	0.01	0.26
TNW	Rs. Crs	(0.65)	(0.29)
Current Ratio	Times	1.10	1.09

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives



in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100cities.

DISCLAIMER

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