



Press Release

Sadhana Nitro Chem Limited (SNCL)

June 22, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loans	76.85	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit & Export Finance	62.50	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Fund Based Bank Facilities – EPC	3.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	142.35			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Sadhana Nitro Chem Limited (SNCL) derive comfort from long track record of operations with experienced promoters, improved Capital Structure, capacity expansion and diversification of product portfolio, diverse geographical presence. However, these rating strengths remain constrained by profitability exposed to volatility in raw material prices, foreign exchange fluctuation risk and working capital intensive operations.

Key Rating Sensitivities:

Upward Factors

- Increase in scale of operation & profitability margins.
- Sustenance of the capital structure and improvement in debt protection metrics.

Downward Factors

- Any volatility in input prices and foreign exchange fluctuation risk leading to deterioration in revenue and/or profitability margin.
- Any cost or time overrun in the implementation of the ongoing capex.



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- Elongation in the working capital cycle, adversely impacting the company's liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations with experienced promoters

The company has more than four decade of experience in the specialty chemical business. Over the years it has been able to create global presence on account of its focus on R&D and quality processes. It has manufacturing facility at Roha, MIDC. It is listed on the BSE. Mr. Asit Javeri (Executive Chaiman) has been associated with the company for more than 38 years. Prior to joining the company he had experience of 10 years of running chemical company. Mr. Abhishek Javeri (Managing Director) has an experience of 15 years in the chemical industry and has been associated with the company since 2007. Longstanding presence of the promoters and directors in the industry has helped the company to establish strong relationships with customers and suppliers, diversify the product profile, and expand capacity.

Improved Capital Structure

Due to the infusion of equity through share warrant during FY23, the company's capital structure has gradually strengthened. As of March 31, 2023, the gearing and TOL/TNW were comfortable at 0.53 times and 0.99 times, respectively. Given the anticipated debt-financed capital investment schedule, the company's overall debt level is anticipated to rise somewhat in the current fiscal year. The capital structure would, however, continue to be remain comfortable.

Capacity expansion and diversification of product portfolio

The company has gained expertise in manufacturing several downward derivatives of Nitrobenzene such as Meta Amino Phenol, Para Amino Phenol, Aniline 2,5 Disulphonic Acid, ODB2 Colourformer along with other products. The products of the company have diverse uses and applications in several industries ranging from paper, pharmaceutical, agro chemicals, thermal dyes, light stabilizer, aerospace, dyes, industrial adhesives and hair dyes etc.



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In order to cater to the demand across the product segments company is expanding its manufacturing facility. The company has already started production through its first plant of Para Amino Phenol (PAP) of capacity 3000 TPA which will be in course of time expanded to 36000 TPA.

The addition of PAP product will provide SNCL strong advantage over Chinese counterparts as it will be produced in India at relatively lower rates and environment friendly as it has zero discharge.

Diverse Geographical Presence

The company is active in both the domestic as well as in foreign markets. In FY22, India contributed around 37% of overall sales, with about 63% coming from the 21 different foreign markets. The Netherlands, Thailand, the United States, Belgium, Switzerland, China, and Japan are SNCL's principal international markets.

Key Rating Weaknesses

Profitability exposed to volatility in raw material prices

Both changes in the price of raw materials and finished goods can affect profitability. Sulphuric Acid, benzene, and Caustic soda are some of the main raw ingredients, and raw material costs represent roughly 45–50% of total sales. Any unfavorable change in the price of raw materials might influence profitability. In the three years leading up to fiscal 2023, operating margin fluctuated between 12 and 19% (15.56% in the current fiscal year).

Foreign exchange fluctuation risk

As a predominantly export player, SNCL's operations remain exposed to fluctuations in foreign currency rates. However, the Company has a pre-defined hedging mechanism to mitigate the risk. Also, its imports form almost 5% - 10% of the total RMC which allows the Company with the scope of natural hedge.

Working capital intensive operations

SNCL's activities are working capital intensive, as evidenced by a high operating cycle during the last three fiscal years. The extended inventory holding and receivable days are the main causes of this. The inventory days were 294 in FY23, up from 276 days in FY22. Further collection period stood high at 150 days in FY23 as against 151 days in FY22.



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Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Rating Outlook](#)

Liquidity – Adequate

The company is earning comfortable level of GCA and the same is expected to increase with increase in scale of operations and level of margin. This indicates adequate degree of liquidity of the company in meeting its obligations. The average working capital utilisation for the past twelve months ended March 2023 remained at ~89% indicating moderate liquidity buffer. However company has adequate cash & bank balance of Rs.1.09 crore.

About the Company

Sadhana Nitro Chem Ltd (SNCL) is 49 years old publicly listed, Mumbai based company manufacturing specialty chemical intermediates, predominantly for overseas markets. SNCL has its manufacturing facility located in Roha MIDC (Maharashtra Industrial Development Corp), SNCL core strength lies in manufacture of several downward derivatives of Nitrobenzene such as Meta Amino Phenol, Para Amino Phenol, Aniline 2,5 Disulphonic Acid, ODB2 Colourformer along with other products.

Financials (Standalone):

For the year ended/ As on*	INR in Crore	
	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	120.74	145.85
EBITDA	13.85	22.69
PAT	5.80	5.59
Total Debt	105.57	131.86
Tangible Networkth	176.04	235.56
EBITDA Margin (%)	11.47	15.56
PAT Margin (%)	4.62	3.11



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Overall Gearing Ratio (x)	0.53	0.53
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* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Fund Based Bank Facilities – Term Loans	Long Term	76.85	IVR BBB/ Stable	-	-	-
2.	Fund Based Bank Facilities – Cash Credit & Export Finance	Long Term	62.50	IVR BBB/ Stable	-	-	-
3.	Fund Based Bank Facilities – EPC	Short Term	3.00	IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities.



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The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loans	-	-	-	76.85	IVR BBB/ Stable
Long Term Fund Based Bank Facilities – Cash Credit & Export Finance	-	-	-	62.50	IVR BBB/ Stable
Short Term Fund Based Bank Facilities – EPC	-	-	-	3.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Sadhana-NitroChem-jun23.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

