



**SHALIMAR
PAINTS**

June 04, 2022

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort, Mumbai - 400 001
BSE Scrip Code: 509874

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No. C/1, G- Block
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051
NSE Symbol : SHALPAINTS

Sub: Disclosure pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

We wish to inform you that credit rating agency CARE Ratings Limited has assigned the rating of Long-term Banking facilities and Short-term banking facilities of Shalimar paints Limited as “CARE BBB-,Stable” and “CARE A3”, respectively.

The copy of CARE Ratings Limited letters dated June 03, 2022 is annexed herewith.

You are requested to kindly take the above information on records.

Thanking you,

Yours faithfully,

For Shalimar Paints Limited


Mohit Kumar Donter
Chief Financial Officer



Encl.: As above



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PAINTS**

Shalimar Paints Ltd.

Corporate Office: 1st Floor, Plot No. 28, Sector 32, Gurugram - 122001, Haryana
Regd. Office: Stainless Centre, 4th Floor, Plot No. 50, Sector 32, Gurugram - 122001, Haryana.
Call: +91 124 461 6600 Fax: +91 124 461 6659 Toll Free: 1800-103-6509
Email Id: askus@shalimarpaints.com Website: www.shalimarpaints.com CIN: L24222HR1902PLC065611

No. CARE/DRO/RL/2022-23/1240

Shri Ashok Kumar Gupta
Managing Director
Shalimar Paints Limited
 4th Floor, Plot No 50,
 Sector 32,
 Gurgaon
 Haryana 122001

June 03, 2022

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY22 (Audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	146.42 (Enhanced from 129.99)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	10.75	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three)	Reaffirmed
Short Term Bank Facilities	60.92 (Reduced from 66.25)	CARE A3 (A Three)	Reaffirmed
Total Facilities	218.09 (Rs. Two Hundred Eighteen Crore and Nine Lakhs Only)		

- Refer **Annexure 1** for details of rated facilities.
- The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by June 04, 2022, we will proceed on the basis that you have no any comments to offer.
- CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
- CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.
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of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
9. CARE Ratings Ltd. ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

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Bhawna.Rustagi@careedge.in

Puneet Kansal
Associate Director
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Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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**Annexure 1
Details of Rated Facilities**

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms	Remarks
1.	IDFC First Bank Ltd.	27.50	To be repaid by Feb 2026	outstanding
2.	State Bank of India	8.65		outstanding
3.	Union Bank of India	2.99		
4.	Punjab National Bank	2.27		
5.	Union Bank of India	1.42		
6.	State Bank of India	0.68		
7.	Punjab National Bank	0.41		
	Total	43.92		

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	60.00	CC
2.	HDFC Bank Ltd.	17.00	
3.	Punjab National Bank	12.00	
4.	Union Bank of India	8.50	
5.	IDFC First Bank Ltd.	5.00	
	Total	102.50	

Cash Credit

Total Long Term Facilities : Rs.146.42 crore

2. Short Term Facilities

2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	37.50	LC
2.	Punjab National Bank	15.00	
3.	Union Bank of India	7.75	
4.	State Bank of India	0.67	Forward Cover
	Total	60.92	

Letter of credit

Total Short Term Facilities : Rs.60.92 crore

3. Long Term / Short Term Facilities

3.A. Non-Fund Based Limits

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Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	10.00	BG
2.	Union Bank of India	0.75	
	Total	10.75	

Bank Guarantee

Total Long Term / Short Term Facilities : Rs.10.75 crore

Total Facilities (1.A+1.B+2.A+3.A) : Rs.218.09 crore

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Annexure 2

Shalimar Paints Limited Press Release

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ²	Rating Action
Long Term Bank Facilities	146.42 (Enhanced from 129.99)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	10.75	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable/ A Three)	Reaffirmed
Short Term Bank Facilities	0.67	CARE A3 (A Three)	Assigned
Short Term Bank Facilities	60.25 (Reduced from 66.25)	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	218.09 (Rs. Two Hundred Eighteen Crore and Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Shalimar Paints Limited (SPL) continue to factor in the significant fund infusion by Hella Infra Market Private Limited (Hella) and promoter's group in the company boosting the liquidity position and improvement in financial risk profile of SPL over the medium term. The improved liquidity position, increased reach and distribution network through Hella is expected to improve the operating margins of the company going forward on account of expected improvement in capacity utilization leading to better apportionment of fixed cost.

The ratings continue to derive strength from SPL's long track record of operations and its experienced management, established brand name of the company's products and presence across different locations. The ratings also factor in the satisfactory capital structure albeit weak coverage indicators in FY22 (refers to period April 01 to March 31).

The ratings, however, continue to remain constrained by working capital-intensive nature of operations and sharp decline in cash profits despite growth reported in total operating income in FY22. The ratings further continue to remain constrained by the vulnerability of margins to volatility in raw material prices, high competition in paint industry and limited pricing flexibility of the company.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Effectively utilizing funds received in the company thereby improving operating performance and overall financial risk profile of the company
- Improvement in scale of operations with topline growth above 20% from current levels on a sustained basis and reporting positive EBIDTA and cash profits while effectively managing raw material price volatility on a sustained basis.
- Ramping up operations at Nasik and Chennai plant
- Company's ability to effectively manage its working capital requirements

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any higher than envisaged debt funded capex undertaken by the company
- Inability to improve overall capacity utilization levels and ramping up operations at Nasik and Chennai Plant
- Deterioration in scale of operations with total operating income reported below Rs. 300 crore and sustainable losses at operating level.

Detailed description of the key rating drivers

Key Rating Strengths

Significant fund infusion of providing boost to liquidity position

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
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The company has received funds aggregating Rs. 270 crores during February 2022 including fresh equity allotment of Rs. 215 crores and allotment of 9% Optionally Convertible Debentures (OCDs) amounting to Rs. 55 crores from Hella Infra Market Private Limited. Additionally, Rs. 150 crores will be infused as Share Warrants over the next 18 months. The funds infusion has strengthened the liquidity position of the company and shall further be utilized for working capital requirements, paying off debts and future capex requirements. The strategic partnership with Hella shall provide growth in capital and boost the liquidity position and will also enable SPL to increase its reach and distribution network which is expected to improve the operating margins of the company going forward on account of expected improvement in capacity utilization leading to better apportionment of fixed cost.

Long track record of SPL with experienced management

SPL was incorporated in year 1902, since then the company continued to expand its operations across India by setting up facilities across different locations – Howrah, Nasik (West), Sikandrabad (North) and Chennai (South), thereby increasing the aggregate production capacity through various units. The company has a long-established track record of over 100 years in the paints industry. The Managing Director of the company; Mr. Ashok Kumar Gupta is having more than three decades of experience with various companies such as SAIL, JSL, Jindal Industries, Surya Roshni, Arcelor Mittal and APL Apollo Tubed Limited (APL) and has been instrumental in turnaround and growth of these companies especially JSL and APL. Mr. Abhyuday Jindal and Mr. Souvik Pulakesh Sengupta (promoter- Hella Infra Market Pvt Ltd) have also come on board as independent directors for providing strategic guidance to make SPL a self-sustainable and profitable entity.

Satisfactory capital structure albeit weak coverage indicators

The capital structure of the company is satisfactory with strong tangible net worth base of Rs. 356 crore as on March 31, 2022 against total debt of around Rs. 186 crores. Financial risk profile of the company shall further be strengthened with funds inflow via issue of share warrants for Rs. 150 crore. The said infusion will be used for supporting the business operations, working capital requirements and capex requirements of the company over the next 2 to 3 years. Overall gearing stood comfortable at 0.58x as on March 31, 2022 (PY: 0.98x). Further Total Debt/GCA has improved though stood negative 3.70x in FY22 compared to negative 16.78x in FY21.

Established brand name of the company's products

The company largely operates in two major segments namely 'Decorative' and 'Industrial' segment. Decorative paint segment mainly caters to domestic, office and other building purposes while Industrial paint segment caters to protective coating sector, product finish, range of marine paints including antifouling paint. The major brands of the decorative segment are 'Superlac', 'G.P. Synthetic', 'Super Shaktiman', 'Xtra Exterior Emulsion', 'Master Emulsion' & 'No.1 Silk Emulsion' etc. Industrial paints are primarily used for beautifying and protecting the structure from deterioration through corrosion.

Established dealer network and manufacturing facilities across different locations

SPL has strategically located manufacturing facilities across four zones: Nasik (West), Sikandrabad (North), Howrah (Southwest) and Chennai (South). Further, the company has wide distribution network of more than 5,300 dealers, 32 sales depots spread across 3 regional distribution centers. The sales in the decorative segment are mostly retail, made through dealers. In the industrial segment, most of the sales are made to original equipment manufacturers (OEMs)/institutional clients as per their specifications.

Reputed clientele base of SPL

The company has reputed corporate clients in the industrial paint segment including both public sector and private sector enterprises. The major clients in the industrial segment are Jindal Saw Limited, Jindal Steel & Power Ltd., JSW Steel, Offshore Infrastructures Limited, Nayara Energy Limited etc.

Key Rating Weaknesses

Sharp decline in operating profitability despite growth reported in total operating income in FY22

The profitability margins have been consistently low or negative with PBILDT margin reported at negative 4.81% in FY22 deteriorated from 1.36% in FY21. The deterioration was largely on account of high cost of materials consumed. On account of constrained liquidity, the company was not able to procure raw material on back-to-back basis which caused price difference. The prices of key raw materials have increased on the back of steep inflationary trend and sharp increase in global commodity prices. The company had to absorb few costs internally which also affected the margins. Nonetheless, the company is now focusing on diversifying its product mix within the industrial and decorative segment into premium emulsions, which is expected to reduce the impact of increase in raw material costs and command better margins.

Working capital intensive operations

The operations of the company are working capital intensive with operating cycle of 75 days in FY21, though the same improved from 84 days in FY20 on account of improved collections period and stretched creditor period. The Average creditors period

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increased to 116 days in FY21 from 92 days in FY20 while the average collection period improved to 83 days in FY21 (PY: 89 days). The average inventory period continued to remain high in FY21 due to large number of stock keeping units at various outlets and large requirement of raw materials for manufacturing of paints. Current ratio also stood low at 0.81x in FY21 compared to 0.84x in FY20 primarily on account of stretched creditors payment.

Vulnerability to volatility in raw material prices and limited pricing flexibility

Despite the fragmented nature of the organized paint industry, medium to large players face competition from strong regional players, especially in mass-market products. Consequently, while paint manufacturers have adequate flexibility to pass on the increase in cost, their ability to increase the margin is restricted. Going forward, SPL's ability to report steady operating margins and effectively managing the volatility in raw material prices shall be a key rating monitorable.

Liquidity: Strong

Liquidity is marked strong with buffer available in form of unutilized working capital lines to the tune of Rs. 74 crores (approx.) along with cash and cash equivalents of Rs. 41 crores maintained in form of bank balance and FDRs as on March 31, 2022 providing adequate cover for meeting the scheduled debt obligations and to meet exigencies in future, if any.

Analytical approach: Standalone

Applicable Criteria

[CARE's policy on default recognition](#)
[Criteria on assigning 'outlook' and 'credit watch'](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology - Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

Shalimar Paints Limited (SPL) incorporated in year 1902, belongs to Delhi-based Ratan Jindal faction of the O.P. Jindal group and Mr. Girish Jhunjhunwala, a Hongkong based businessman. Mr. Jhunjhunwala and Mr. Jindal, through various group companies. SPL is engaged in manufacturing a wide range of paints in both decorative and industrial paint segments. The company has four manufacturing facilities located at Howrah, Nasik, Sikandrabad and Chennai.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2022 (A)
Total operating income	326.39	363.11
PBILDT	4.45	(17.48)
PAT	(49.50)	(63.85)
Overall gearing (times)	0.98	0.52
Interest coverage (times)	0.23	(0.79)

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	102.50	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	-	60.25	CARE A3

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Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	102.50	CARE BBB-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	10.75	CARE BBB-; Stable / CARE A3
Fund-based - LT-Term Loan	-	-	-	February 2026	43.92	CARE BBB-; Stable
Non-fund-based - ST-Forward Contract	-	-	-	-	0.67	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	102.50	CARE BBB-; Stable	1)CARE BBB-; Stable (06-Apr-22)	-	1)CARE BB+; Stable (12-Mar-21)	1)CARE BB+; Positive (30-Dec-19)
2	Non-fund-based - ST-Letter of credit	ST	60.25	CARE A3	1)CARE A3 (06-Apr-22)	-	1)CARE A4+ (12-Mar-21)	1)CARE A4+ (30-Dec-19)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	10.75	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (06-Apr-22)	-	1)CARE BB+; Stable / CARE A4+ (12-Mar-21)	1)CARE BB+; Positive / CARE A4+ (30-Dec-19)
4	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (30-Dec-19)
5	Fund-based - LT-Term Loan	LT	43.92	CARE BBB-; Stable	1)CARE BBB-; Stable (06-Apr-22)	-	1)CARE BB+; Stable (12-Mar-21)	-
6	Non-fund-based - ST-Forward Contract	ST	0.67	CARE A3				

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Non-fund-based - ST-Forward Contract	Simple
5	Non-fund-based - ST-Letter of credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About CARE Ratings:

About CARE Ratings Limited: Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**

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