

Press Release
ALTRA PURE CHEM
December 02, 2024
Rating Reaffirmed and Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	0.40	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	15.40	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed short-term rating at '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 15.40 crore bank facilities of Altra Pure Chem (APC). The outlook is '**Stable**'.

Rationale for Rating

The rating upgrade and migration from 'Issuer non cooperating' takes into account the extensive experience of management in the chemical industry along with its long-established track record of operations which has helped the firm in securing a long-standing relation with its suppliers and customers. The rating also factors in growth reflected in its operating income to Rs.103.09 Cr. in FY 2024 from Rs.93.63 Cr. in FY 2023. However, the above-mentioned strengths are constrained by firm's moderate working capital operations, stretched liquidity position, and average financial risk profile which is characterized by a low net worth of Rs.12.82 Cr. in FY24. Further the rating also factors in the sizeable investment of the firm in its group company.

About the Company

Altra Pure Chem (APC) established in 2000. The Company is engaged in trading and manufacturing of chemicals and solvents such as Iso Propyl Alcohol, Acetone and Acetone Nitryl. Mr. Mithun G Patil is the proprietor of the company. The registered office of company is in Dombivli.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Altra Pure Chem (APC) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The firm is currently managed by Mr. Mithun G Patil and a team of experienced personnel. The proprietor Mr. Mithun possesses over 20 years of experience in this line of business. His long-standing experience and the firm's established track record of operations since inception in 2000, have helped the firm to build strong relationships with suppliers and customers in the industry. Further, The proprietor's experience is also reflected in the stable scale of operations, with the firm's revenue increasing to Rs. 103.09 Cr. in FY24 as against Rs. 93.63 Cr. in FY23 and Rs.120.49 crore in FY22. Further, the company has achieved a sales of around Rs. 55.73 Cr. for H1FY2025. Acuite believes that firm shall continue to benefit from the experience of its management and its track record going ahead.

Weaknesses

Average Financial Risk Profile

The financial risk profile of the firm is marked average on account of low net worth, average gearing and moderate debt protection metrics. The networth of the firm stood low at Rs.12.82 Cr. as on 31st March 2024 as compared to Rs 11.04 Cr. as on 31st March 2023. The gearing of the firm stood average at 2.72 times as on 31st March 2024 as compared to 2.67 times as on 31st March 2023. Further, debt protection metrics stood moderate with Interest coverage ratio (ICR) stood at 2.44 times in FY2024 as against 2.36 times in FY 2023. The debt service coverage ratio (DSCR) of the firm stood at 1.27 times in FY2024 as compared to 1.83 times in the previous year. The TOL/TNW of the firm stood at 5.60 times in FY2024 as against 5.42 times in FY2023. The Debt-EBITDA of the firm stood at 5.27 times in FY2024 as against 3.18 times in FY2023. The net cash accruals to total debt (NCA/TD) stood at 0.07 times in FY2024 as compared to 0.11 times in the previous year.

The financial risk profile of the firm is expected to improve over the medium term on account of modest cash accrual generation, however, the effect of any major debt funded capex on the financial risk profile will remain a key monitorable.

Moderate Working Capital Management

The working capital operations of the firm are moderate in nature marked by GCA days of 109 days in FY2024 against 65 days in FY2023. This increase in the GCA days are primarily driven by high inventory days, which extended to 59 days in FY24, from 6 days in FY23. The reason for high inventory days is on account of significant raw material procured by the firm towards the year end. The debtors' days stood at 9 days in FY24, as against 28 days in FY23. Further, as of August 2024, the firm's outstanding debtors stands at Rs. 8.61 Cr., notably, all the receivables are in less than 4 months. Additionally, creditors' days stood at 117 days in FY2024, compared to 107 days in the previous year.

Furthermore, the reliance on working capital limits remained high as it remains almost fully utilized over the last 5 months ending September 2024 for fund-based limits.

Acuite believes that the working capital operations of the firm will continue to remain in similar range due the nature of its business.

Sizeable Investments in group companies

Despite the firm's relatively low net worth, it holds substantial investments totalling to Rs. 31.59 Cr. as of March 31, 2024.

This investment is primarily in the form of long term investment and short term loans to one of its group company Altra Agro Chem Pvt Ltd. The firm has an exposure of around Rs.41 crore towards its group company to support their business operations and capital expenditures.

Acuite believes that the performance of Altra Agro Chem Pvt Ltd will remain a key monitorable.

Rating Sensitivities

Ability to improve its scale of operations and profitability.

Any further deterioration of its financial risk profile and liquidity position.

Restricting any further elongation in its working capital cycle.

Liquidity Position

Stretched

The firm's liquidity position is marked as stretched, on account of its modest net cash accruals of Rs. 2.35 Cr. in FY2024 as against its maturity debt obligations of around Rs. 1.26 Cr. Further, it is expected that the firm will generate cash accruals in the range of around Rs. 2.83 – Rs. 3.14 Cr. as against maturing repayment obligations of around Rs.1.25 – Rs.1.28 Cr. over the medium term. Further, the working capital management of the firm is moderate marked by GCA days of 109 days in FY2024 as against 65 days in FY2023. However, the reliance on fund-based working capital limits is high as it remains almost fully utilized over the past 5 months ending September 2024. Further, the current ratio stands low at 0.73 times as on 31st March 2024 as against 0.49 times as on 31st March 2023.

Going ahead, the liquidity is expected to remain on similar levels on account of modest accrual generation against repayment obligation and limited buffer available from working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	103.09	93.63
PAT	Rs. Cr.	1.98	2.82
PAT Margin	(%)	1.92	3.01
Total Debt/Tangible Net Worth	Times	2.72	2.67
PBDIT/Interest	Times	2.44	2.36

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jan 2024	Bank Guarantee (BLR)	Short Term	0.40	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	6.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	4.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Secured Overdraft	Long Term	3.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
26 Oct 2022	Bank Guarantee (BLR)	Short Term	0.40	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	6.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	4.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Secured Overdraft	Long Term	3.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
28 Jul 2021	Bank Guarantee (BLR)	Short Term	0.40	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	4.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	6.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Secured Overdraft	Long Term	3.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.40	Simple	ACUITE A4 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B+)
DNS Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B+)

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About Acuité Ratings & Research

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