

Press Release

Adarsha Specialty Chemicals Private Limited

December 11, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 6.00 crore bank facilities of Adarsha Specialty Chemicals Private Limited (ASCPL). The outlook is '**Stable**'.

The Bangalore based, ASCPL was incorporated in 2006. It is engaged in manufacturing of silicone adhesive/sealants, silicone fluids and emulsions, specialty lubricants and other similar products. The company procures around 60 percent of raw materials including silicone oil and silicone polymers from Thailand and remaining from domestic suppliers in Mumbai and Bangalore. The company caters its product to various industries such as civil construction, chemical and adhesive, among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ASCPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

ASCPL was incorporated in 2003. Mr. Omkarmurthy, Promoter and Managing Director, has gained experience over a decade in the field of silicone solutions from Dow Corning. The other Directors, Mr. Prakash and Mr. Chandrashekhar also play key role in day to day activities.

- **Average financial risk profile**

The financial risk profile is average marked by low net worth, comfortable gearing and moderate debt protection metrics. The net worth of the company stood low at Rs.1.99 crore as on March 31, 2018 compared to Rs.1.18 crore as on March 31, 2017. The low net worth is due to accumulated losses incurred in initial stage of operations. The gearing (debt-equity) improved to 0.36 times as on March 31, 2018 compared to 1.86 times as on March 31, 2017 due to minimum utilisation of overdraft facility. The total debt comprises of unsecured loans from promoters and others of Rs.0.72 crore. The interest coverage ratio (ICR) stood at 4.20 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood high at 4.39 times as on March 31, 2018.

Weaknesses

- **Working capital intensive operations**

ASCPL's operations are working capital intensive in FY2018 marked by Gross Current Assets (GCA) of 184 days in FY2018 as against 218 days in FY2017. This is on account of high debtors of 118 days in FY2018 as against 103 days in FY2017 and high inventory holding of 56 days in FY2018 as against 108 days in FY2017. However, the working capital is supported by credit extended by suppliers. The average cash credit utilisation stood at 68 percent for the seven months ended 31 October, 2018.

Outlook: Stable

Acuité believes the ASCPL will maintain a 'Stable' business risk profile over the medium term. The

company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in the scale of operations while achieving sustained improvement in profit margins and liquidity position. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.45	11.38	11.53
EBITDA	Rs. Cr.	1.16	1.07	0.97
PAT	Rs. Cr.	0.57	0.33	0.12
EBITDA Margin	(%)	6.68	9.36	8.38
PAT Margin	(%)	3.28	2.86	1.05
ROCE	(%)	32.23	21.60	29.92
Total Debt/Tangible Net Worth	Times	0.36	1.86	3.84
PBDIT/Interest	Times	4.20	2.67	2.12
Total Debt/PBDIT	Times	0.60	2.01	3.31
Gross Current Assets (Days)	Days	184	218	210

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4

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About Acuité Ratings & Research:

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