

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

Acuite 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

Acuite 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. Chandrashekar 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

Acuite 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

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Disha Parmar Analyst - Rating Operations Tel: 02249294064 disha.parmar@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.