

Press Release

Camex Limited

08 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 36.00 Cr
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as SMERA double B) on the existing Rs. 20.00 crore bank facilities and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 15.00 crore bank facilities of Camex Limited (Camex).

SMERA has withdrawn the long term rating of '**SMERA BB**' (read as SMERA double B) on the Rs. 0.15 crore bank facilities and reaffirmed the long term rating of '**SMERA BB**' (read as SMERA double B) on the proposed long term facility of Rs. 1.00 crore (enhanced from Rs. 0.85 crore). The outlook is 'Stable'.

The rating continues to derive comfort from the company's experienced management, stable operating margins and above average financial risk profile. However, the ratings are constrained by the modest scale of operations in an intense competitive chemical industry. The rating is also constrained due to susceptibility of profit margins to volatility in raw material prices and forex rates.

Camex incorporated in 1989 is promoted by Mr. Chopra and family. The company is engaged in the manufacturing and trading of reactive dyes, intermediates, pigments and speciality chemicals used in the textile industry. The day-to-day operations are led by Mr. Chandraprakash Chopra (Managing Director). Camex derives around 70 percent of its revenue from trading and the remaining from manufacturing. The manufacturing facility is located at Ankleshwar, Gujarat with installed capacity of 8000 MTPA. The company derives around 74 percent revenue from domestic sales and 26 percent from export of its goods to Pakistan, Bangladesh and South Africa.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management

Camex is engaged in the manufacturing and trading of dyes, pigments and intermediates for around three decades. The established track record of operations has helped the company maintain long standing relations with customers and suppliers. The company mainly caters to textile chemical manufacturers in the domestic and overseas markets. The company benefits from the extensive experience of its management including Mr. Chandraprakash Chopra (Managing Director) who has more than three decades of experience in the chemical industry.

Above average financial risk profile and stable profitability

Camex has comfortable financial risk profile marked by adjusted healthy networth of Rs. 29.53 crore as on 31 March, 2017 as against Rs. 26.35 crore in the previous year. For arriving at the adjusted tangible networth, the unsecured loan from directors of Rs. 4.40 crore is considered as part of equity as the same is subordinated to bank debt. The adjusted gearing stood at 0.55 times as on 31 March, 2017 as compared to 0.50 times as on 31 March, 2016. Further, the company has comfortable debt protection

metrics with interest coverage ratio of 2.98 times for FY2017, an improvement from 2.23 times in FY2016. The Total outside Liabilities to Tangible Networth (TOL/TNW) stood at 0.98 times as on 31 March, 2017 compared to 0.93 times in the previous year. The operating margins continued to remain stable during the last four years. It stood at 4.12 percent for FY2017 as against 3.01 percent in FY2014. The Profit after Tax (PAT) margin stood at 1.74 percent for FY2017 as against 0.87 per cent in FY2014. Going forward, SMERA expects the company to maintain above average financial risk profile in the absence of major debt funded capex plan over the near to medium term.

Weaknesses

Modest scale of operations alongwith declining revenue trend

Camex reported modest scale of operations with operating income of Rs. 112.13 crore for FY2017 as against Rs. 113.14 crore for FY2016 and Rs. 151.73 crore for FY2015. The marginal decline in FY2017 over FY2016 is on account of around 14 percent fall in the average realisation of the products sold. Notwithstanding the decline, the company reported 17 percent growth in volumes sold during FY2017 over FY2016. Further, during FY2015-16, average realisation per tonne declined by 32.80 per cent leading to overall decline in revenue. The prices of dyes, pigments and intermediates depend mainly on the prices of raw materials such as Vinyl Supher, H-Acid, Blue 19, Cyanoric and others which are highly volatile. The prices also depend on the production policy followed by China since it contributes majorly to the global production of chemicals. However, Camex has reported operating income of Rs. 85.20 crore during April, 2017 to December, 2017 as compared to Rs. 74.51 crore during the corresponding period in the previous year.

Profitability susceptible to volatility in raw material prices and foreign exchange fluctuation risk

The raw materials procured by the company include Vinyl Supher, H-Acid, Blue 19, Cyanoric and others. The cost of raw materials was around 87 percent of total sales in FY2017. The prices of these are highly volatile. Adverse changes in raw material prices can impact profitability. The company exports around 26 percent of its total sales and imports around 40 percent of its total purchases. Hence, the foreign currency exposure is covered to the extent of sales; however the remaining exposure is susceptible to fluctuations in foreign exchange rates in the absence of adequate hedging mechanism.

Highly competitive and fragmented industry

The chemical trading industry is highly fragmented with large number of organised and unorganised players. The company faces intense competition from the organised and unorganised segment. Also on account of its trading nature of business, the entry barriers are low, leading to stiff competition.

Analytical approach:

SMERA has considered the consolidated business and financial risk profile of Camex Limited and its wholly owned subsidiary Camex Reality Private Limited (CRPL) for arriving at the rating. Presently, there are no major operations in CRPL.

Outlook: Stable

SMERA believes that Camex will continue to maintain a Stable outlook and benefit over the medium term from its established presence and extensive experience of the management in the chemicals industry. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and margins while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity profile due to higher than expected working capital requirement or major debt funded capex undertaken.

Applicable Criteria

- Trading Entities- <https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

About the Rated Entity -Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	112.13	113.14	151.73
EBITDA	Rs. Cr.	4.62	4.24	5.74
PAT	Rs. Cr.	1.95	1.23	1.55
EBITDA Margin	(%)	4.12	3.75	3.78
PAT Margin	(%)	1.74	1.09	1.02
ROCE	(%)	10.55	8.68	10.78
Total Debt/Tangible Net Worth	Times	0.55	0.50	0.93
PBDIT/Interest	Times	2.98	2.23	1.84
Total Debt/PBDIT	Times	3.04	3.02	3.44
Gross Current Assets (Days)	Days	157	130	106

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
23 Nov, 2016	Cash Credit	Long Term	20.00	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	0.15	SMERA BB/Stable (Assigned)
	Letter of Credit	Short Term	15.00	SMERA A4+ (Assigned)
	Proposed Fund Based	Long Term	0.85	SMERA BB/Stable (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	20.00	SMERA BB/Stable (Reaffirmed)
Term Loan	N.A	N.A	N.A	0.15	SMERA BB/Stable (Withdrawn)
Letter of Credit	N.A	N.A	N.A	15.00	SMERA A4+ (Reaffirmed)
Proposed Fund Based	N.A	N.A	N.A	1.00 (enhanced from Rs. 0.85 crore)	SMERA BB/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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