

Press Release

Kimberlite Chemicals India Private Limited

April 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4** (read as SMERA A four) on the Rs. 5.00 crore bank facilities of Kimberlite Chemicals India Private Limited. The outlook is '**Stable**'.

Kimberlite Chemicals India Private Limited (KCIPL) was incorporated in 2005. The Bangalore-based company is engaged in the manufacture and export of speciality chemicals for water treatment, membrane treatment, paint additives among others. The company exports its products to UAE, USA, Spain and other countries which contribute around 84 percent to the total revenue with the balance being generated from the domestic market. The company caters to Pro Tech International (USA), Celar Water Equipment Co LLC (UAE) among others.

Key Rating Drivers

Strengths

- Established track record of operations**

KCIPL, incorporated in 2005 is a Bangalore-based company. The promoters, Mr. Ashish Rathore and Ms. Shivani Rathore have more than two decades of experience in the chemical industry. The company is supported by second rung of management with more than two decades of experience in the said line of business.

- Improvement in operating margins**

The operating margins improved to 9.07 percent in FY2016 from 4.76 percent in FY2015 since the company decided to procure raw materials directly from the importer. The PAT (Profit after Tax) margins improved to 1.39 percent in FY2016 from net loss of Rs. 0.02 cr in FY2015.

Weaknesses

- Small scale of operations**

KCIPL operates on a small scale with operating income of Rs.13.61 cr in FY2016 and Rs.19.90 cr in FY2015 mainly due to fewer orders during the year. The company registered revenue of ~Rs.14.01 cr from April 2016 to December 2016. The installed capacity stood at 24000 kg per day. The company has orders of Rs.1.57 cr as on February 2017.

- Average financial risk profile**

The financial risk profile is average marked by low net worth of Rs. 1.13 cr as on March 31, 2016 compared to Rs.1.33 as on March 31, 2015. The gearing (debt-equity ratio) stood at 4.15 times as on March 31, 2016 as against 2.18 times as on March 31, 2015. The Interest coverage ratio and DSCR (debt service coverage ratio) stood at 2.05 times and 1.79 times respectively.

• Working capital intensive operations

The operations are working capital intensive reflected in the gross current assets (GCA) days of 126 as on March 31, 2016 (PY: 90 days). This is on account of high inventory of 73 days as on March 31, 2016. The average six months utilisation of working capital facility ended December 2016 stood at ~102.35 percent.

• Susceptible of profitability to fluctuation in raw material price and forex rates

The profitability margins are susceptible to volatility in the prices of raw materials. Also, with no hedging mechanism in place, the margins are also exposed to fluctuations in forex rates.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Kimberlite Chemicals India Private Limited (KCIPL).

Outlook: Stable

SMERA believes that the outlook on KCIPL will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the scale of operations while maintaining profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or decline in operating margins.

About the Rated Entity - Key Financials

For FY2015-16, KCIPL reported profit after tax (PAT) of Rs.0.19 cr on operating income of Rs.13.61 cr as compared with net loss of Rs.0.02 cr on operating income of Rs.19.90 cr in the previous year. The net worth stood at Rs. 1.13 cr as on March 31, 2016 compared to Rs. 1.33 cr in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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
Term loans	Not Applicable	Not Applicable	30-Sep-2023	1.00	SMERA B+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.70	SMERA B+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A4
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ABOUT SMERA

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