

Press Release

Kimberlite Chemicals India Private Limited

May 16, 2018

Rating Reaffirmed



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 reaffirmed 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 (KCPL) was incorporated in 2005. The Bangalore-based company is engaged in manufacture and export of specialty chemicals for water treatment, membrane treatment, paint additives among others with an installed capacity of 240000 kgs per annum. The company exports its products to UAE, USA, Spain and other countries. The company caters to Pro Tech International (USA), Celar Water Equipment Co LLC (UAE) among others.

Key Rating Drivers

Strengths

- Established track record and experienced management**

KCPL was incorporated in 2005. The Promoters, Mr. Ashish Rathore and Ms. Shivani Rathore have more than two decades of experience in the chemical industry. Further, the company is supported by a qualified management team with more than two decades of experience in the same line of business.

- Improvement in the scale of operations**

The revenue of KCPL has increased to Rs.21.00 crore for FY2018 (provisional) as against Rs.19.19 crore in FY2017 and Rs.16.68 crore for FY2016. This is majorly on account of good number of orders being executed on Y-O-Y basis. SMERA believes that the company will sustain the growth in scale of operations on the back of moderate order book position of Rs.5.00 crore to be executed in two months from May, 2018.

Weaknesses

- Decline in profitability margins**

The operating margins have declined in FY2017 to 7.91 percent as compared to 9.07 percent in FY2016. The decline in margins is mainly on account of increase in raw material prices and inability of KCPL to increase the prices of its products due to intense competition. The PAT margin of the company has also declined to 0.33 percent in FY2017 as against 1.39 percent in FY2016. SMERA believes that the ability of the KCPL to sustain the profitability margins over the medium term will be key rating sensitivities.

• Average financial risk profile

The financial risk profile of KCPL is average marked by tangible net worth of Rs.1.49 crore as on 31 March 2017 as against Rs.1.13 crore as on 31 March 2016. The total debt of Rs.6.84 crore outstanding as on 31 March, 2017 comprises of Rs.5.01 crore as working capital borrowings from the bank Rs.1.71 crore as term loan from banks and Rs.0.11 crore as unsecured loans from Promoters. The gearing ratio stood at 4.59 times as on 31 March, 2017 as against 4.15 times as on 31 March, 2016. Interest Coverage Ratio stood at 2.20 times in FY2017 as against 2.05 times in FY2016. DSCR stood at 1.98 times in FY2017 as against 1.79 times in FY2016. The net cash accruals stood at Rs.0.79 crore in FY2017 as against Rs.0.57 crore in FY2016. The NCA/TD ratio remained same at 0.12 times in FY2017 and in FY2016.

• 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. The export of products contributes around 84 percent of the total revenue with the balance being generated from the domestic market. Also, with no hedging mechanism in place, the margins are 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) to arrive at this rating.

Outlook: Stable

SMERA believes the outlook on KCPL will remain 'Stable' over the medium term on account of the experienced management and the improvement in revenue trend. The outlook may be revised to 'Positive' in case of further improvement in profitability and financial risk profile of the company. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile, working capital cycle or decline in operating margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.19	13.61	19.90
EBITDA	Rs. Cr.	1.52	1.23	0.95
PAT	Rs. Cr.	0.06	0.19	-0.02
EBITDA Margin	(%)	7.91	9.07	4.76
PAT Margin	(%)	0.33	1.39	-0.11
ROCE	(%)	12.07	18.30	23.32
Total Debt/Tangible Net Worth	Times	4.59	4.15	2.18
PBDIT/Interest	Times	2.20	2.05	2.10
Total Debt/PBDIT	Times	4.38	3.71	3.06
Gross Current Assets (Days)	Days	141	167	110

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):

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Apr-2017	Term Loan	Long Term	1.00	SMERA B+ / Stable (Assigned)
	Secured Overdraft	Long Term	2.70	SMERA B+ / Stable (Assigned)
	Packing Credit	Short Term	1.00	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	0.30	SMERA A4 (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
Term loans	Not Applicable	Not Applicable	30-Sep-2023	1.00	SMERA B+ / Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.70	SMERA B+ / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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