

## Press Release

### Sri Chaitanya Chlorides Private Limited

October 23, 2020



### Rating Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs.12.00 Cr.
<b>Long Term Rating</b>	ACUITE B (Withdrawn)
<b>Short Term Rating</b>	ACUITE A4 (Withdrawn)

\* Refer Annexure for details

Acuité has withdrawn the long term rating of '**ACUITE B** (read as ACUITE B) and the short term rating of '**ACUITE A4** (read as ACUITE A four) on the Rs.12.00 crore bank facilities of Sri Chaitanya Chlorides Private Limited.

The rating withdrawal is in accordance with Acuité's 'policy on withdrawal of rating'.

The rating is being withdrawn on account of request received from the company and NOC received from the bank.

Sri Chaitanya Chlorides Private Limited (SCCPL) was incorporated in 1999. The company has its office at Ramachandrapuram in Medak district while the manufacturing facility is at Pashamylaram in Medak. SCPL is engaged in the manufacture of intermediate chemicals which are used for bulk drugs, pesticides, dyes and dyes intermediates etc. SCPL caters completely to the domestic market and it sells to USFDA approved large pharmaceutical/insecticide manufacturing companies and group companies.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### • Experienced management

SCCPL was incorporated in 1999 by Sri Ramakrishna D P Partiwadi, Mr. KS Reddy and others. The promoters have long-standing experience of more than a decade in the business of intermediates (mainly fertilisers, insecticides and pharmacy) manufacturing. The established track record of operations and experience of management has helped the firm to develop healthy relationships with customers and suppliers. Acuité believes that the company will sustain its existing business profile backed by an established track record of operations and experienced management.

##### • Above average financial risk profile

The company has an average financial risk profile marked by moderate networth, low gearing and above average debt protection metrics. The net worth stood at Rs.21.78 crore as on 31 March, 2020 (Prov) as against Rs.19.17 crore as on 31 March 2019. The company has followed a conservative financial policy in the past, the same is reflected through its gearing levels of 0.91 times as on March 31, 2019. The gearing stood at 0.63 times as on March 31, 2020 (Prov). Further, the interest coverage ratio stood at 5.02 times for FY2020 (Prov) as compared to 6.59 times for FY2019. Total outside liabilities to total net worth (TOL/TNW) stood at 1.40 times as on 31 March, 2020(Prov) as against 2.22 times as on 31 March, 2019.

Acuité believes that the financial risk profile of the company is likely to remain above average over the medium term, on account of low gearing and above-average debt protection metrics.

## Weaknesses

### • Working capital intensive nature of operations

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 125 days in FY2020(Prov) as against 160 days in FY2019. The inventory holding period remained around 38 days in FY2020 as compared to 49 days in FY2019. The debtor days remained around 72 in FY2020 (Prov) as compared to 96 days in FY2019. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the debt collection period.

### • Competitive and fragmented industry

The company operates in a highly competitive and fragmented industry, characterised by a large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the company.

## Rating Sensitivities:

Not Applicable

## Any Material Covenants

None

## Liquidity position: Adequate

The company has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.56 crore for FY2020 (Prov) with debt repayment obligation of Rs.1.91 crore for the same period. The company's working capital operations are intensive, marked by 125 Gross Current Asset (GCA) days for FY2020 (Prov). The average bank limit utilization for the past five months ended August 2020 stood low at ~35.24 percent. The company maintains unencumbered cash and bank balances of Rs.0.18 crore as on 31 March 2020(Prov). The current ratio stood at 1.15 times as on 31 March 2020(Prov). Acuité believes that the liquidity of the company is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

## About the Rated Entity - Key Financials

	Unit	FY20(Provisional)	FY19(Actual)
Operating Income	Rs. Cr.	88.06	90.77
PAT	Rs. Cr.	2.62	2.89
PAT Margin	(%)	2.97	3.18
Total Debt/Tangible Net Worth	Times	0.63	0.91
PBDIT/Interest	Times	5.02	6.59

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook

19-Dec-2019	Cash Credit	Long Term	6.00	ACUITE B Issuer not co-operating*
	Proposed Cash Credit	Long Term	0.75	ACUITE B Issuer not co-operating*
	Letter of Credit	Short Term	5.00	ACUITE A4 Issuer not co-operating*
	Bank Guarantee	Short Term	0.25	ACUITE A4 Issuer not co-operating*
20-Sep-2018	Cash Credit	Long Term	6.00	ACUITE B Issuer not co-operating*
	Proposed Cash Credit	Long Term	0.75	ACUITE B Issuer not co-operating*
	Letter of Credit	Short Term	5.00	ACUITE A4 Issuer not co-operating*
	Bank Guarantee	Short Term	0.25	ACUITE A4 Issuer not co-operating*
21-Nov-2017	Cash Credit	Long Term	6.00	ACUITE B/Stable (Assigned)
	Proposed Cash Credit	Long Term	0.75	ACUITE B/Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A4 (Assigned)

#### #Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B (Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE B (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4 (Withdrawn)

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#### About Acuité Ratings & Research:

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