



Press Release
CHEMTRA DE OVERSEAS PRIVATE LIMITED
January 12, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	35.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 35.00 crore bank facilities of Chemtrade Overseas Private Limited (COPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation of COPL takes into account moderation in operating performance of the company marked by declining operating income, thin but stable operating margins and moderate financial risk profile. The company's revenue stood at Rs.426 Cr in FY2023 as against Rs.554 Cr in FY2022. The sales volume of the company remained stable at 1,40,000 MT during FY2023 and FY2022, however the prices have reduced significantly to Rs.29.74 per unit in FY2023 as against Rs.37.59 per unit in FY2022 which has therefore resulted towards decline in the company's revenue. Despite of decrease in the company's revenue, the operating margin however remained stable at 1.16 percent during FY2023 as against 1.00 percent during FY2022 whereas the net profit margin of the company also remained stable at 0.51 percent in FY2023 and in FY2022 despite of increase in the interest cost during the year. The financial risk profile of the company is moderate marked by moderate net-worth, low gearing and moderate debt protection metrics.

Going forward, ability of COPL to improve and maintain a stable operating performance while improving and maintaining an efficient working capital cycle will remain key rating sensitivity factors.

About the Company

COPL was initially established as a proprietorship firm in 1992 and later the constitution was changed to private limited company in November 2007. The company is located at Mumbai and is engaged in trading and import of wide range of chemicals and solvents used in several industries like pharmaceuticals, petrochemicals, paints amongst others. The company is promoted by its directors Mr. Jatin B. Shah & Mr. Niraj B. Shah.

Unsupported Rating

None

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of COPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

COPL has an established presence of three decades in the chemical industry. The company is promoted by its directors Mr. Jatin B. Shah & Mr. Niraj B. Shah who are second generation entrepreneurs with an experience of nearly three decades in the chemical and solvents trading business. The promoters are being supported by its team of experienced professionals in managing day to day operations of COPL. The extensive experience of the promoters has enabled COPL to establish a healthy relationship with its customers and suppliers.

The revenue of COPL stood declined at Rs.426 Cr in FY2023 as against Rs.554 Cr in FY2022. The sales volume of the company remained stable at 1,40,000 MT during FY2023 and FY2022, however the prices have reduced significantly to Rs.29.74 per unit in FY2023 as against Rs.37.59 per unit in FY2022 which has therefore resulted towards decline in the company's revenue.

Despite of decrease in the company's revenue, the operating margin however remained stable at 1.16 percent during FY2023 as against 1.00 percent during FY2022 whereas the net profit margin of the company also remained stable at 0.51 percent in FY2023 and in FY2022 despite of increase in the interest cost during the year. For the current year as of December 2023, COPL has achieved revenue of ~Rs.286 Cr as against ~Rs.282 Cr for the same period during FY2023 and is further expected to achieve revenue of ~Rs.450 Cr by the year end.

Acuité believes that COPL will continue to benefit from its experienced management and established track record of operations which will aid in maintaining a stable operating performance.

Moderate financial risk profile

Financial risk profile of COPL is moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net-worth of the company stood improved at Rs.55 Cr as on 31 March, 2023 as against Rs.53 Cr as on 31 March, 2022 due to accretion of profits to reserves. It also includes the unsecured loans from directors of Rs.9 Cr been treated as quasi equity since they are subordinated to the bank borrowings. The gearing (debt-equity) stood negligible at 0.02 times as on 31 March, 2023 as the company does not have any long term bank borrowings and limited fund based working capital borrowing. The total debt of Rs.1 Cr as on March 31, 2023 comprises of only short-term fund based working capital limit. The gearing is expected to remain low over the medium term in the absence of any significant debt-funded capex plan.

The interest coverage ratio and DSCR stood moderated at 2.26 times and 1.96 times for FY2023 as against 3.05 times and 2.53 times for FY2022. The Net Cash Accruals to Total debt stood at 1.82 times for FY2023. The Total outside liabilities to Tangible net worth stood improved at 2.36 times for FY2023 as against 2.57 times for FY2022. The Debt-EBITDA ratio stood at 0.23 times for FY2023.

Acuité believes that the financial risk profile of COPL will remain moderate over the medium term due to its low gearing, moderate tangible net worth and moderate debt protection metrics.

Weaknesses

Moderately working capital intensive operations

The working capital operations of COPL are moderately intensive marked by its Gross Current Assets (GCA) of 146 days for FY2023 which stood increased as against 117 days for FY2022. This is on account of its inventory and receivables cycle which stood increased at 32 days and 96 days for FY2023 as against 26 days and 86 days for FY2022. In general, the company follows an average inventory cycle of 30 days and provides credit period of upto 150 days to its customers. Apart from this, there are short term loans and advances of Rs.16 Cr during FY2023, out of which Rs.10 Cr is extended by the company to one of its related party which has led to an increase in the overall GCA days as on year end. On the other hand, the creditors cycle of the company also stood elongated at 112 days for FY2023 as against 92 days for FY2022. The average bank limit utilization for 6 months' period ended November 2023 stood at ~61

percent for fund based working capital facilities and ~98 percent for non-fund based working capital facilities.

Acuité believes that the ability of COPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Highly competitive industry and susceptibility of margins to volatility in raw material prices

The chemical trading industry is a highly fragmented industry and presence of large number of organised and unorganised players has created high competition in the industry. COPL faces competition from large players as well as numerous players in the unorganised segment. Also, on account of its trading nature of business, the entry barriers are low thereby leading to stiff competition for players like COPL. Further, operating and profitability margins are expected to remain susceptible to fluctuations in the raw material prices of traded chemicals. The company is also exposed to forex risk as company is also involved into export and import of certain products.

Rating Sensitivities

- Ability to improve and maintain a stable operating performance
- Ability to improve and maintain an efficient working capital cycle

Liquidity Position - Adequate

COPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its no maturing debt obligations. The company generated cash accruals in the range of Rs.2 Cr to Rs.3 Cr during FY2021 to FY2023 against no debt repayment obligation during the same period. Going forward, the NCA are expected in the range of Rs.3 Cr to Rs.4 Cr for the period FY2024-FY2025 against no debt repayment obligation during the same period. The working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 146 days for FY2023. The average bank limit utilization for 6 months' period ended November 2023 stood at ~61 percent for fund based working capital facilities and ~98 percent for non-fund based working capital facilities. Current ratio stands at 1.37 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.1 Cr in FY2023.

Acuité believes that the liquidity of COPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that COPL will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	425.78	554.31
PAT	Rs. Cr.	2.15	2.84
PAT Margin	(%)	0.51	0.51
Total Debt/Tangible Net Worth	Times	0.02	0.00
PBDIT/Interest	Times	2.26	3.05

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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Oct 2022	Proposed Bank Facility	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
16 Jul 2021	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	10.00	ACUITE A3 (Reaffirmed)
07 Jul 2021	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Upgraded from ACUITE A4+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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