Press Release

CHEMTRADE OVERSEAS PRIVATE LIMITED

April 11, 2025

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	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus**a**)**nd 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 considers the stabilization of revenues and profitability along with moderate financial risk profile and adequate liquidity position of Chemtrade Overseas Private Limited (COPL). Further, the rating reaffirmation also factors in the moderate financial risk profile of the company which is marked by moderate net worth, low gearing and moderate debt protection metrics. The liquidity position of the company is adequate on account of sufficient net cash accruals against no maturing debt repayment obligations as COPL doesn't avail any long-term debt. However, the rating is constrained by the moderately intensive working capital operations as well as the highly fragmented nature of the chemical industry.

About the Company

Chemtrade Overseas Private Limited (COPL) 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

Not Applicable

Analytical Approach

Acuité 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.

Moderation in revenues and profitability margins

COPL's revenue has improved to Rs. 435.63 crore for FY2024 as against Rs. 425.78 crore in FY2023. Further, the revenue estimated to decline in FY2025 to Rs. 317.64 crore on account of shift in its focus to low volume-high margin products. Additionally, the company has filtered out many customers who were not making timely payments and is now catering only to those who pay on time. The operating margins stood at 1.34 percent in FY2024, up from 1.16 percent in FY2023. The PAT margins also improved, reaching 0.69 percent in FY2024 compared to 0.51 percent in FY2023.

Acuite believes, the operating performance of the company would remain moderate over the medium term due to stabilization of prices.

Moderate financial risk profile

The financial risk profile of COPL is moderate, marked by moderate net worth, low gearing, and moderate debt protection metrics. The company's tangible net worth improved to Rs. 59.29 crore as of March 31, 2024, from Rs. 54.57 crore as of March 31, 2023, due to the accumulation of profits into reserves. This includes unsecured loans from directors amounting to Rs. 10.68 crore, which have been treated as quasi-equity. The gearing (debt-equity ratio) stood at 0.02 times as of March 31, 2024, as the company does not have any long-term bank borrowings. The total debt of Rs. 1.35 crore as of March 31, 2024, consists of of short-term fund based working capital limits. The interest coverage ratio and DSCR (Debt Service Coverage Ratio) moderated to 2.53 times and 2.20 times for FY2024, compared to 2.26 times and 1.96 times for FY2023 respectively. The Net Cash Accruals to Total Debt stood at 2.32 times for FY2024.

Acuite believes, the financial risk profile would remain moderate over the medium term in the absence of any long-term debt availed by the company.

Weaknesses

Moderately intensive working capital operations

The working capital operations of COPL are moderately intensive marked by its Gross Current Assets (GCA) of 98 days for FY2024 as against 146 days for FY2023. The GCA days improved on account of lower inventory levels and moderation in the receivable's cycle. The Inventory days of the COPL stood at 13 days in FY24 as against 32 days in the FY23. The average inventory holding period for the company is around 30 days. The debtor days of the company also stood improved at 80 days in FY24 as against 96 days in FY23. The average credit period allowed to its customers is around 60 to 90 days. The creditors cycle of the company also stood at 61 days for FY2024 as against 112 days for FY2023. The average bank limit utilization for 6 months' period ended January 2025 stood at ~75.47 per cent for the fund-based limits and ~95.43 per cent for the non-fund- based limits.

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 to an extent as it is not hedging its forex exposure since it is also into imports.

Rating Sensitivities

- Ability to improve its revenue and profitability
- Ability to improve and maintain an efficient working capital cycle
- Changes in financial risk profile

Liquidity Position

Adequate

The liquidity position of the company is adequate, marked by its sufficient net cash accruals (NCA) against no maturing debt repayment obligations as the company doesn't avail any long-term debt as on 31st March 2024. The company generated cash accruals in the range of Rs. 2-3 crore during FY2022 to FY2024 against no maturing debt repayment obligations for the same period. Further, it is expected to generate sufficient cash accruals in the similar range of Rs. 2-3 crore against no maturing repayment obligations over the medium to long term. The average fund-based utilization for 06 months period ended January 2025 stood at ~75.47 per cent and for non-fund-based stood at ~95.43 per cent. The current ratio stands at 1.73 times as on 31 March 2024. The company has maintained cash & bank balance of Rs. 1.68 crore in FY2024 out of which Rs. 1.30 crore is lien marked as margin money.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	435.63	425.78
PAT	Rs. Cr.	2.99	2.15
PAT Margin	(%)	0.69	0.51
Total Debt/Tangible Net Worth	Times	0.02	0.02
PBDIT/Interest	Times	2.53	2.26

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Trading Entities: https://www.acuite.in/view-rating-criteria-61.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
12 Jan 2024	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- | Stable (Reaffirmed)
14 Oct 2022	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- | Stable (Reaffirmed)

Annexure - Details of instruments rated

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

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.