

Press Release

KETUL CHEM PRIVATE LIMITED

February 05, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 119.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (**read as SMERA BBB**) and short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs. 119.00 crore bank facilities of KETUL CHEM PRIVATE LIMITED. The outlook is '**Stable**'.

Ketul Chem Private Limited (KCPL), incorporated in 1990 is a Mumbai-based company promoted by Mr. Hasmukh Shah, Mrs. Prerna H. Shah and Mr. Ketul Shah. The company is engaged in the trading of various chemicals including styrene monomer, polyester (PET) chips bottle grade, Toluene, propylene glycol and phenol which find application in paints, rubber, pharmaceuticals and other industries.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced management**

KCPL commenced operations in 1990. The company is headed by Mr. Hasmukh Shah who has more than three decades of experience in the chemical industry. Thus KCPL benefits from its long track record of operations and long term relations with customers and suppliers.

- **Diversified product portfolio**

The business of KCPL can be classified into - Chemicals and Polymers. The company trades in various types of chemicals including petrochemicals, aroma chemicals used in the manufacturing of rubbers, paints, capsules, syrups to name a few. Further, KCPL is also engaged in the trading of polypropylene (PP), polyethylene (PE), polyethylene Terephthalate (PET), Polyvinyl Chloride, Ethyl Vinyl Acetate (EVA) among others used in plastic packaging.

- **Healthy financial risk profile**

The healthy financial risk profile is marked by healthy net worth, gearing and debt protection measures. The net worth stood at Rs 59.46 crore as on 31 March, 2017 as compared to Rs. 50.15 crore as on 31 March, 2016. The debt equity stands at 0.16 in FY2017 times and 0.06 times in the previous year. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.75 times while Debt Service Coverage (DSCR) stood at 4.20 times as on 31 March, 2017. The Interest Coverage Ratio stood at 5.65 times in FY2017 compared to 3.37 times in FY2016.

Weaknesses

- **Foreign exchange fluctuation risk**

Around 40 percent of KCPL purchases are imports. The purchases are against LC of 90-120 days and around 1-2 percent of sales is exported. Thus, the company is exposed to foreign exchange fluctuation risk. However, the company has not incurred any forex loss during the period under study.

- **Trading nature of business**

The nature of business is trading where margins are low. While there exists no value addition in trading.

KCPL has an advantage in terms of import in bulk and supplying in smaller quantities to customers.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes that KCPL will maintain a Stable outlook and continue to benefit over the medium term from its established presence in the chemical trading industry. The outlook may be revised to 'Positive' in case of improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in TOL/TNW.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	369.93	258.06	356.45
EBITDA	Rs. Cr.	9.68	3.05	3.75
PAT	Rs. Cr.	6.55	1.41	1.81
EBITDA Margin	(%)	2.62	1.18	1.05
PAT Margin	(%)	1.77	0.55	0.51
ROCE	(%)	19.72	6.05	17.34
Total Debt/Tangible Net Worth	Times	0.16	0.06	0.05
PBDIT/Interest	Times	5.65	3.37	2.94
Total Debt/PBDIT	Times	0.76	0.79	0.45
Gross Current Assets (Days)	Days	124	103	96

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB / Stable

Letter of credit	Not Applicable	Not Applicable	Not Applicable	36.00**	SMERA A3+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	35.00***	SMERA A3+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A3+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A3+

**Bank Guarantee is sublimit of Letter of Credit to the extent of Rs.4.00 crore.

*** Bank Guarantee is sublimit of Letter of Credit to the extent of Rs.5.00 crore.

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ABOUT SMERA

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