

**Press Release**  
**Ketul Chem Private Limited**

April 27, 2019

**Rating Reaffirmed**



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

\* Refer Annexure for details

**Rating Rationale**

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.119.00 cr. 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.

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

• **Established presence in the chemical trading segment**

The promoters, Mr. Hasmukh Shah and Mr. Bhupendra Shah have an extensive experience in the chemical trading segment for more than two decades. The extensive experience of the promoters and the established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in both domestic as well as global market.

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

Acuite believes that KCPL will continue to benefit from the promoter's established presence in the chemical industry and its improving business risk profile over the medium term.

• **Healthy financial risk profile**

KCPL has healthy financial risk profile marked by healthy net worth and debt protection matrices. The net worth stood at Rs.70.62 crore as on 31 March 2018 as against Rs.59.46 crore as on 31 March 2017. The gearing (debt-equity) stood at 0.22 times as on 31 March 2018 as against 0.16 times as on 31 March 2017. The total debt as on 31 March 2018 mainly comprises of working capital borrowings of Rs.15.27 crore. The coverage indicators are above average marked by Interest Coverage Ratio (ICR) which stood at 4.62 times for FY2018 as against 5.65 times for FY2017. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.21 times as on 31 March 2018 as against 1.54 times as on 31 March 2017.

**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.

• **Debt funded capex plans**

KCPL is setting up manufacturing activity for pharma intermediaries at Dahej, Gujarat. The total cost of the project is ~Rs.20.00 crore which will be funded by the debt to equity ratio of 70:30. The commercial operations are expected to start by March 2020.

Acuite believes that timely completion of the project and commencement of operations will remain key rating sensitivity factor.

• **Low profitability marked by trading nature of business**

KCPL's operating margins stood at 2.80 percent for FY2018 as against 2.62 percent for FY2017. The margins are expected to decline in FY2019 on account of increase in the raw material cost. The net margins also stood low at 1.54 percent for FY2018 as against 1.77 percent for FY2017. The lower margins are mainly on account of trading nature of business and competitive industry limiting the bargaining power with the customers.

**Liquidity position**

KCPL generated cash accruals of Rs.1.90 - 7.90 crore during the last three years through 2017 - 18, against no debt obligations. The cash accruals of the company are estimated to remain at around Rs.5.70 - Rs.9.00 crore during 2019-21. The company has moderate working capital operations as marked by Gross Current Asset (GCA) days of 92 in FY2018. The company maintains unencumbered cash and bank balances of Rs.0.19 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.70 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be around of Rs.2.80 crore.

**Outlook: Stable**

Acuite believes that KCPL will maintain a 'Stable' outlook and benefit over the medium term owing to its promoters' extensive experience in the chemical industry and established relations with clientele. The outlook may be revised to 'Positive' if the net cash accruals increase substantially with improvement in profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability and liquidity or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded expansion and working capital requirements.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	477.78	369.93	258.06
EBITDA	Rs. Cr.	13.39	9.68	3.05
PAT	Rs. Cr.	7.34	6.55	1.41
EBITDA Margin	(%)	2.80	2.62	1.18
PAT Margin	(%)	1.54	1.77	0.55
ROCE	(%)	18.61	19.72	11.63
Total Debt/Tangible Net Worth	Times	0.22	0.16	0.06
PBDIT/Interest	Times	4.62	5.65	3.37
Total Debt/PBDIT	Times	1.01	0.76	0.79
Gross Current Assets (Days)	Days	102	124	103

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading entities - <http://acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
05-Feb-18	Cash Credit	Long term	3.00	ACUITE BBB/Stable (Assigned)
	Cash Credit	Long term	5.00	ACUITE BBB/Stable (Assigned)
	Letter of credit	Short Term	36.00 #	ACUITE A3+ (Assigned)
	Letter of credit	Short Term	35.00 ##	ACUITE A3+ (Assigned)
	Letter of credit	Short Term	15.00	ACUITE A3+ (Assigned)
	Letter of credit	Short Term	25.00	ACUITE A3+ (Assigned)

#Includes sublimit of Bank to the extent of Rs.4.00 crore.

## Includes sublimit of Bank Guarantee to the extent of Rs.5.00 crore.

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	36.00 #	ACUITE A3+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	35.00 ##	ACUITE A3+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ (Reaffirmed)

#Includes sublimit of Bank to the extent of Rs.4.00 crore.

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**About Acuite Ratings & Research:**

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