

Press Release

Ketul Chem Private Limited

November 23, 2022

Rating Reaffirmed & Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	39.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	80.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	119.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.119.00 Cr. bank facilities of Ketul Chem Private Limited. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Company

Ketul Chem Private Limited (KCPL), incorporated in 1990 is a Mumbai-based company promoted by Mr. Hasmukh Shah, Mrs. Perna H. Shah and Mr. Ketul Shah. The company is currently engaged in the trading of various Petrochemicals, Polymers, Rubber, Aroma Chemicals & Specialty chemicals. The company acts as a link between chemical manufacturers and chemical users and supports its customers and suppliers with customized distribution solutions for industrial and specialty chemicals.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of KCPL to arrive at the 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 markets. 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. KCPL is in the midst of diversification to the manufacturing segment with plans to manufacture Pharma Intermediates and API's going forward.

>Improving Revenue and moderate profitability margins

Ketul Chem Private Limited (KCPL) has seen an improvement in the revenue by 15.31% growth. The revenue of the company rose to Rs.464.19 crore in FY2022 from Rs.402.55 crore in FY2021. However the EBITDA and PAT Margins of the company has showed slight decline in trend due to increase in RM cost though it stood moderate. The EBITDA Margins of the company stood at 2.56 percent in FY2022 as against 2.93 percent in FY2021. The PAT Margins too has declined to 1.14 percent in FY2022 as against 1.90 percent in FY2021. Being a trading entity the firm has thin profitability margins. The ROCE of the company stood at 9.23 percent in FY2022.

>Moderate financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth, gearing and comfortable debt protection metrics. The tangible net worth stood moderate at Rs.60.43 crore as on 31 March 2022 as against Rs.55.15 crore as on 31 March, 2021. Total debt of the company stood high at Rs.82.20 crore as on 31 March 2022 as against Rs.56.13 crore as on 31 March, 2021. Total debt comprises of long term debt of Rs 39.27 crore, short term debt of Rs 18.57 crore and USL from directors of Rs 24.59 crore. Gearing (debt-equity) stood high yet moderate at 1.36 times as on 31 March 2022 as against 1.02 times as on 31 March, 2021 Total outside Liabilities/Total Net Worth (TOL/TNW) stood low at 2.81 times as on 31 March 2022 as against 2.90 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.09 times as on 31 st March FY2022. Debt protection metrics of the company is comfortable with Interest Coverage Ratio at 3.04 times in FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.63 times in FY2022.

Weaknesses

> Foreign exchange fluctuation risk and crude price risk

KCPL's business is significantly reliant on the crude prices in the global market. Any significant movement in the crude prices impacts the overall business risk profile of the company significantly.

>Intensive working capital management.

The working capital requirements of the company is marked intensive though there has been an improvement since FY2020. The GCA stood at 126 days as on March 31, 2022 improving from 141 days as on March 31, 2020. The improvement in GCA is on the account of improvement in Debtors to 90 days as on March 31, 2022 from 110 days as on March 31, 2021. The Inventory days stood at 24 days as on March 31, 2022 as against 110 days as on March 31, 2021. The Creditors stood at 69 days as on March 31, 2022 as against 92 days as on March 31, 2020.

Rating Sensitivities

Not Applicable

Material covenants

None

Liquidity Position Adequate

The company's liquidity profile is adequate marked by adequate net cash accruals of Rs.7.58 Cr in FY2022. The firm maintains unencumbered cash and bank balances of Rs. 0.11 crore as on March 31, 2022. The current ratio of the company stood moderate at 1.62 times as on March 31, 2022 as against 1.35 times as on March 31, 2021.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	464.19	402.55
PAT	Rs. Cr.	5.28	7.64
PAT Margin	(%)	1.14	1.90
Total Debt/Tangible Net Worth	Times	1.36	1.02
PBDIT/Interest	Times	3.04	3.48

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

Infomerics Ratings vide its Press Release dated 27.06.2022, downgraded the KCPL to IVR BB+/A3+; INC

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
15 Apr 2022	Cash Credit	Long Term	5.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	34.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	35.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
22 Jan 2021	Cash Credit	Long Term	3.00	ACUITE BBB- (Withdrawn)
	Letter of Credit	Short Term	35.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Letter of Credit	Short Term	36.00	ACUITE A3 (Withdrawn)
	Letter of Credit	Short Term	30.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Proposed Bank Facility	Long Term	34.00	ACUITE BBB- Stable (Assigned)

	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
27 Apr 2019	Letter of Credit	Short Term	36.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
DBS Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB+ Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A4+ Reaffirmed & Withdrawn
DBS Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	34.00	ACUITE BB+ Reaffirmed & Withdrawn

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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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