

## Press Release

Onward Chemicals Private Limited (OCPL)

06 March, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 7.00 Cr.
<b>Long Term Rating</b>	SMERA BB/ Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 7.00 crore bank facilities of Onward Chemicals Private Limited (OCPL). The outlook is '**Stable**'.

The Mumbai-based OCPL was incorporated in 1996 by Mr. Amit Tibrewala, Mrs. Parul Tibrewala and Mrs. Panadevi Tibrewala. The company is engaged in the import and distribution of road marking formulations and applicators across India.

### Key rating drivers

#### Strengths

#### Established track record of operations and experienced management

The Director, Mr. Amit Tibrewala has experience of over two decades in the chemical industry. He is well supported by his father, Mr. Shyamsunder Tibrewala who has over three decades of experience in the said business. OCPL backed by its experienced management has developed healthy relations with local as well as global clients.

#### Moderate financial risk profile

OCPL has moderate financial risk profile marked by tangible net worth of Rs. 4.06 crore as on 31 March, 2017 as against Rs. 3.56 crore as on 31 March, 2016. The gearing stood at 0.99 times as on 31 March, 2017 which improved from 1.60 times as on 31 March, 2016. The debt of Rs. 4.03 crore mainly consists of working capital borrowings of Rs. 3.79 crore and unsecured loans of Rs. 0.25 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 2.41 times for FY2017 as against 1.96 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.56 times as on 31 March, 2017 compared to 2.33 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.17 times as on 31 March, 2017 and 0.08 times as on 31 March, 2016. Going forward, SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex plans.

## Weaknesses

### Uneven revenue trend marked by stagnant operating income

The revenue trend has been uneven for OCPL marked by Rs 24.08 crore in FY2017, Rs 25.82 crore in FY2016 and Rs 23.08 crore in FY2015. Further, during the period April 2017 to December 2017, the company registered revenue of Rs. 25.00 crore.

### Working capital intensive operations

The operations of OCPL are working capital intensive marked by high Gross Current Asset (GCA) of 128 days in FY2017 compared to 150 days in FY2016. The GCA days are mainly dominated by high debtor days of 75 days in FY2017 and 80 days in FY2016. The average cash credit utilisation for the past six months stood at ~80 percent. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

### Competitive and fragmented industry

OCPL operates in a highly competitive and fragmented industry with several players resulting in pressure on margins.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of OCPL to arrive at the rating.

### Outlook - Stable

SMERA believes that OCPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	24.08	25.82	23.08
EBITDA	Rs. Cr.	1.50	1.20	1.32
PAT	Rs. Cr.	0.50	0.33	0.28
EBITDA Margin	(%)	6.25	4.64	5.71
PAT Margin	(%)	2.10	1.26	1.23
ROCE	(%)	15.90	12.15	28.14
Total Debt/Tangible Net Worth	Times	0.99	1.60	1.51
PBDIT/Interest	Times	2.41	1.96	1.74
Total Debt/PBDIT	Times	2.62	4.61	3.74
Gross Current Assets (Days)	Days	128	150	129

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

None

**Any other information:**

Not Applicable

**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. Crore)	Ratings/Outlook
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB/ Stable

\*Includes sublimit of Letter of Credit (LC) to the extent of Rs. 5.00 crore, FBP/ FCBP/FBD/FCBD to the extent of Rs. 1.75 crore and PC/PCFC to the extent of Rs. 1.25 crore

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## ABOUT SMERA

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