

Press Release

Yasham Speciality Ingredients Private Limited

May 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.00 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 triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.13.00 crore bank facilities of Yasham Speciality Ingredients Private Limited (YSIPL). The outlook is '**Stable**'.

The Mumbai-based, Yasham Speciality Ingredients Private Limited (YSIPL) was incorporated in 1997 by Mr. Vivek D Samant. YSIPL is engaged in trading of specialty chemical products which are mainly used in the personal care, pharma and food & beverage (F&B) industries. The company is promoted by Mr. Vivek D Samant and family. YSIPL has a branch office located at New Delhi and its infrastructure includes two application labs, one for personal care division and other one for construction division.

Key Rating Drivers

Strengths:

Established track record and experienced management

YSIPL has its presence since 1997 in specialty chemicals industry which has helped the company to establish its market position in cosmetics and pharmaceutical industry. The company is promoted by Mr. Vivek D Samant and Mrs. Namita Vivek Samant having over three decades of experience in the chemical trading business. SMERA believes the promoters backed by their experience have been able to generate healthy relationships with various customers as well as suppliers.

Moderate financial risk profile

YSIPL has moderate financial risk profile marked by tangible net worth of Rs.14.45 crore as on 31 March, 2017 as against Rs.10.56 crore as on 31 March, 2016. Further, the debt-equity ratio stood comfortable at 0.53 times as on 31 March, 2017 as against 0.72 times in the previous year. The Interest Coverage Ratio stood high at 8.67 times for FY2016-17 as against 6.06 times in FY2015-16. Debt Service Coverage Ratio stood at 5.81 times for FY2016-17 as against 2.45 times in the previous year. The Total outside Liabilities/Tangible Net Worth stood at 1.09 times in FY2016-17, which has improved from 1.33 times in FY2015-16.

Reputed clientele

YSIPL has reputed client base such as Himalaya Drug Company, Johnson & Johnson Limited, Glenmark among others. These clients are associated with the company since inception and others for more than two decades.

Weaknesses:**Moderate working capital cycle**

YSIPL operates in moderate working capital cycle marked by Gross Current Asset (GCA) of 128 days in FY2017 and 138 days in FY2016. This is majorly on account of high debtor days of 77 days in FY2017. The company maintains two to three months of inventory at any given point of time to meet recurring demand of their existing clients. Further, the average cash credit utilisation stood at ~90 percent in the past six months ending April, 2018.

Volatility in the prices of traded chemicals

The product profile of the company comprises of specialty chemicals, such as tertiary butyl acetate, ethyl chloro acetate, imidazole among others. The domestic prices of such commodities are influenced by the global demand and supply factors which is beyond the control of the company. This exposes the company to the risk of volatile movement in the prices of traded chemicals, which can affect its margins. Going forward, the operations may remain susceptible to volatile margin in commodity prices and foreign exchange rates.

High competition

The Indian chemical industry is highly fragmented with the presence of large number of organised and unorganised players. High competitive intensity could restrict the ability of the company to scale up its volumes and pass on the impact of price fluctuation to its customers (owing to pricing pressures), thus having an adverse effect on its revenues and profitability.

Analytical Approach:

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

Outlook: Stable

SMERA believes that the outlook on YSIPL will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case of higher than-expected growth in revenues while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and operating metrics.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	63.02	44.04	34.01
EBITDA	Rs. Cr.	7.02	3.36	2.19
PAT	Rs. Cr.	3.89	1.02	0.56
EBITDA Margin	(%)	11.14	7.64	6.44
PAT Margin	(%)	6.18	2.31	1.63
ROCE	(%)	32.49	17.08	19.88
Total Debt/Tangible Net Worth	Times	0.53	0.72	0.73
PBDIT/Interest	Times	8.67	6.06	2.50
Total Debt/PBDIT	Times	1.05	2.15	2.98
Gross Current Assets (Days)	Days	128	138	154

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	5.00	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A3

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