

Press Release

Chemspark India Private Limited

June 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 10.00 crore bank facilities of Chemspark India Private Limited. The outlook is '**Stable**'.

Chemspark India Private Limited, a Mumbai based company was incorporated in the year 2000 as a private limited entity by Mr. Sanjay Tawakley, Ms. Archana Tawakley, Ms. Rashmi Ganatra, Mr. Shailesh Ganatra. The company is the exclusive distributor, offering products like surfactants, skin lightening agents, enhancers, Natural biodegradable surfactants, cooling and warming agents, UV Absorbers, Anti-Dandruff Actives, conditioners, fragrance fixatives, thickeners etc to different industries like personal and oral care, agrochemicals, pharmaceuticals, rubber, tyres and chemicals.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele base**

The directors of the company Mr. Sanjay Tawakley, Ms. Archana Tawakley, Ms. Rashmi Ganatra, Mr. Shailesh Ganatra are having an experience of more than three decades in the same line of business as through trading of the same since 1980. Hence experienced management has the company to maintain healthy relationships with the customers. Further, the company is supplying personal care ingredients, agro chemical intermediaries and active pharmaceutical ingredients to reputed customers like - The Himalaya Drug Company, VLCC Health Care Limited, Ajanta Pharmaceuticals Limited, Glen mark Pharmaceuticals Limited to name a few.

- **Moderate financial risk profile**

The company is having moderate financial risk profile marked by low net worth, comfortable gearing and interest coverage ratio. The net worth of the company stood at Rs.8.20 crore as on 31st March 2018 (estimated) as against Rs.6.07 crore in the previous year. The gearing of the company stood comfortable at 0.25 times as on 31st March 2018 (estimated) as against 0.36 times in the previous year. The total debt of Rs.2.07 crore consists of unsecured loans of Rs.2.00 crore, short term debt of Rs.0.05 crore and CPLTD of Rs.0.02 crore. The interest coverage ratio stood at 7.49 times in FY2018 (estimated) as against 4.92 times in the previous year. The TOL/TNW ratio stood at 1.34 times in FY2018 (estimated) as against 1.50 times in the previous year.

Weaknesses

- **Working capital intensive nature of operations**

The company is having working capital intensive nature of operations marked by gross current asset (GCA) days of 177 days as on 31st March 2018 (estimated) as against 203 days in the previous year. This is mainly due to debtor days of 94 days as 31st March 2018 (estimated) and inventory days of 48 days in FY2018 (estimated).

- **Highly competitive and fragmented nature of business**

The company is operating in a highly competitive industry marked by several organized and unorganized players which further limits the bargaining power of the company.

Analytical Approach

ACUITE has considered the standalone financials of the company.

Outlook: Stable

ACUITE believes that outlook for CIPL will remain stable over medium term backed by its reputed clientele. The outlook may be revised to Positive if the company achieves higher than expected revenue while effectively managing its working capital cycle. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Estimated)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	32.05	19.57	20.58
EBITDA	Rs. Cr.	3.64	2.06	2.18
PAT	Rs. Cr.	2.13	1.10	1.08
EBITDA Margin	(%)	11.35	10.54	10.62
PAT Margin	(%)	6.65	5.61	5.27
ROCE	(%)	39.61	25.04	27.61
Total Debt/Tangible Net Worth	Times	0.25	0.36	0.59
PBDIT/Interest	Times	7.49	4.92	4.35
Total Debt/PBDIT	Times	0.53	0.94	1.25
Gross Current Assets (Days)	Days	177	203	124

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.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)

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	0.05	ACUITE BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+

Rs.4.00 crore cash credit facility of CITI bank consists of Usance LC sublimit of Rs.4.00 crore, Guarantee sublimit of Rs.4.00, Sight LC of Rs.4.00 crore and Working Capital Demand Loan sublimit of Rs.4.00 crore

Contacts

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About Acuité Ratings & Research:

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