

Press Release

Chemspark India Private Limited

September 13, 2019



Rating Upgraded & Reaffirmed

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB+ /Stable (Upgraded from ACUITE BB/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the 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 (CIPL). The outlook is '**Stable**'.

The rating upgrade reflects the improvement in revenue to Rs 46.05 crore in FY2019 (Provisional) from Rs.32.19 crore in FY2018; thereby achieving a y-o-y growth of 43 per cent. The improvement in revenue coupled with rise in cash accruals to Rs 3.66 crore in FY2019 (Provisional) from Rs 3.09 crore in FY2018 adds liquidity cushion of CIPL. Moreover, the revenue and profitability levels achieved in FY2019 (Provisional) are higher than the projected for the same period. Further, Acuité receives comfort from strong business risk profile of CIPL and its lower reliance on external borrowings.

Chemspark India Private Limited, a Mumbai-based company was incorporated in the year 2000 as a private limited company by Mr. Sanjay Tawakley, Mrs. Archana Tawakley, Mrs. Rashmi Ganatra and Mr. Shailesh Ganatra. The company is exclusive distributor for various companies offering products to different industries such as personal and oral care, agrochemicals, pharmaceuticals, rubber, tyres and chemicals. It has mainly three divisions – cosmetics, agrochemicals and pharmaceuticals.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of CIPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The directors of the company, Mr. Sanjay Tawakley, Mrs. Archana Tawakley, Mrs. Rashmi Ganatra and Mr. Shailesh Ganatra, are having an overall experience of more than three decades in the same line of business. Further, Acuité believes that the company receives comfort from the strong business risk profile, being a sole distributor in India for the suppliers. The extensive experience of the management has helped the company to maintain healthy relationships with its customers and suppliers.

• Reputed and diversified client base

The company is supplying personal care ingredients, agro chemical intermediaries and active pharmaceutical ingredients to reputed customers such as The Himalaya Drug Company, VLCC Health Care Limited, Ajanta Pharmaceuticals Limited, Glenmark Pharmaceuticals Limited, to name a few. The company is exclusive distributor of its customers. All the distribution in India is routed through the company, Chemspark India Private Limited, which gives a revenue visibility. Moreover, the arrangement is with all the suppliers, supplying anywhere in India including the companies based in India and having manufacturing and processing units outside India. The company represents Sino Lion (USA) Limited, Shanghai Fine Chemical Company Limited, Shanghai Amino-Chem Company Limited, Guangzhou Tinci Materials Company Limited on exclusive distributor basis.

- **Improvement in scale of operations**

CIPL has shown improvement in scale of operations during the period FY2017 to FY2019 (Provisional). The revenue stood at Rs 46.05 crore in FY2019 (Provisional) as against Rs 32.19 crore in FY2018 and Rs.19.57 crore in FY2017; thereby registering a compounded annual growth rate of 53 per cent during the last 2 years. The improvement in revenue coupled with rise in cash accruals to Rs 3.66 crore in FY2019 (Provisional) from Rs 3.09 crore in FY2018 adds liquidity cushion of CIPL.

- **Comfortable financial risk profile**

The company has moderate financial risk profile marked by moderate net worth and comfortable gearing. The net worth of the company stood at Rs. 13.29 crore as on 31 March, 2019 (Provisional) as against Rs. 8.61 crore in the previous year. CIPL's healthy cash accruals to the tune of about Rs. 3.66 crores have supported in minimising the reliance on external debt, leading to comfortable gearing and debt levels of 0.27 times and Rs. 3.55 crore, respectively, as on March 31, 2019 (Provisional). The total debt consists of unsecured loans of Rs.2.55 crore and short term debt of Rs.1.00 crore. The interest coverage ratio stood at 9.99 times for FY2019 (Provisional) as against 8.92 times in FY2018. The Debt Service Coverage Ratio (DSCR) stood at 7.78 times in FY2019 (Provisional) as against 5.57 times in FY2018. Total outside liabilities/ total net worth (TOL/TNW) stood comfortable at 0.79 times as on 31 March, 2019 (Provisional) as against 1.33 times in FY2018. The Net Cash Accruals/ Total Debt (NCA/TD) stood at 1.03 times as on 31 March, 2019 (Provisional).

Weaknesses

- **Working capital intensive nature of operations**

CIPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 121 days as on March 31, 2019 (provisional) as against 188 days as on March 31, 2018. The GCA days are dominated mainly on account of debtor days of 88 days as on March 31, 2019 (provisional) as against 86 days as on March 31, 2018, because of extended credit period to some of its key customers. The inventory days stood comfortable at 18 days as on March 31, 2019 (Provisional). Acuité expects the operations of the company to remain working capital intensive on account of the high debtor days.

Liquidity Profile

CIPL's liquidity profile is comfortable marked by healthy net cash accruals as against no major maturing debt obligations. The company generated cash accruals of Rs 3.66 crore in FY2019 (Provisional). The bank limit of the company remains utilised at 61-67 per cent during last five months period ended August 2019. The current ratio of the company stood modest at 2.43 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuité believes that CIPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and profitability metrics from the current levels, while improving its working capital intensity. Conversely, the outlook may be revised to 'Negative', if the company's revenue and profitability declines, while the financial risk profile deteriorates owing to increased working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	46.05	32.19	19.57
EBITDA	Rs. Cr.	4.76	4.50	2.06
PAT	Rs. Cr.	3.51	2.93	1.10
EBITDA Margin	(%)	10.34	13.97	10.54
PAT Margin	(%)	7.62	9.10	5.61
ROCE	(%)	36.83	45.92	25.04
Total Debt/Tangible Net Worth	Times	0.79	1.33	1.50s
PBDIT/Interest	Times	9.99	8.92	4.92
Total Debt/PBDIT	Times	0.66	0.63	0.94
Gross Current Assets (Days)	Days	121	188	203

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

None

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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 (in Rs Crores)	Ratings/ Outlook
28-June-2018	Cash Credit	Long Term	4.05	ACUITE BB/Stable (Assigned)
	Letter of Credit	Short Term	3.95	ACUITE A4+ (Assigned)
	Proposed Short Term Facility	Short Term	2.00	ACUITE A4+ (Assigned)

*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	5.55	ACUITE BB+/ Stable (Upgraded from ACUITE BB)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE A4+ (Reaffirmed)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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