

Press Release

Chemspark India Private Limited

December 07, 2020

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 11.00 crore (Enhanced from Rs 10.00 crore)
Long Term Rating	ACUITE BB+/ Positive (Reaffirmed; Outlook revised from 'Stable' to 'Positive')
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed 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 11.00 crore bank facilities of Chemspark India Private Limited (CIPL). The outlook is '**Positive**'

The revision in outlook is primarily due to sustained scale of operations, profitability and healthy gearing levels and debt protection metrics. Acuité further receives comfort from its established relationship with its vintage customers and suppliers.

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 an 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 profiles of CIPL to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

Incorporated in 2000, the company has a long track record of around two decades in the industry. The long track record has helped the company to establish a healthy relationship with customers and suppliers. The directors of the company, Mr. Sanjay Tawakley, Mrs. Archana Tawakley, Mrs. Rashmi Ganatra and Mr. Shailesh Ganatra, have experience of around three decades in the same line of business. Acuité believes the company will continue to benefit from experienced promoters that will help to maintain long term relations with clients.

- Comfortable financial risk profile**

The financial risk profile of the company stood comfortable marked by moderate network, comfortable gearing level and debt protection metrics. The tangible network stood at Rs 15.37 crore as on 31st March, 2020 (Provisional) as compared to Rs 12.17 crore in the previous year. The gearing (debt-equity) stood low at 0.12 times in FY 2020 (Provisional) as compared to 0.29 times in FY 2019 on account of no long term debt obligation and minimal utilization of cash credit as on March 31st, 2020 (Provisional). The coverage indicators stood comfortable marked by Interest coverage ratio (ICR), which stood at 10.67 times for FY 2020 (Provisional) as compared to 10.24 times in FY 2019. TOL/ TNW stood at 0.74 times for FY 2020 (Provisional) as compared to 0.70 times in FY 2019. The financial risk profile is expected to remain at similar levels over the medium term in the absence of any major debt funded capex plan in the near to medium term.

• Diversified and reputed clientele

The company has reputed clientele such as The Himalaya Drug Company, VLCC Health Care Limited, Ajanta Pharmaceuticals Limited, Glenmark Pharmaceuticals Limited, to name a few spread across industries supplying personal care ingredients, agrochemical intermediaries and active pharmaceutical ingredients to its customers. The company is an exclusive distributor of its customers and all the distribution in India is routed through the company. 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.

Weaknesses

• Working capital intensive nature of operations

The working capital operations of CIPL stood intensive marked by GCA (Gross Current Assets) Days of 129 days in FY 2020 (Provisional) similar to 121 days in the previous year in FY 2019. The inventory days stood well managed at 28 days in FY 2020 (Provisional) as compared to 18 days in the previous year. The debtor days stood at 74 days in FY 2020 (Provisional) as compared to 88 days in FY 2019. Other Current Assets as on 31st March, 2020 (Provisional) stood at Rs 7.04 crore. The working capital limits remained utilized at less than 50 percent for 6 months ended October, 2020. The working capital operations are expected to remain at similar levels over the medium term due to the payment terms with its customers and suppliers.

Rating Sensitivity

- Improvement in revenue sustaining profitability

Material Covenants

None

Liquidity Profile: Adequate

CIPL has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 3.09-3.43 crore in FY 2018-2020 (Provisional) against no maturing debt obligations during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 3.51-4.11 crore during 2021-23. The working capital operations of the company are intensive marked by GCA (Gross Current Assets) Days of 129 days in FY 2020 (Provisional) similar to 121 days in the previous year in FY 2019. The company maintained unencumbered cash and bank balances of Rs. 0.59 crore as on March 31, 2020 (Provisional). The current ratio stood at 2.24 times as on March 31, 2020 (Provisional). The working capital limits remained utilized at less than 50 percent for 6 months ended October, 2020. Acuite believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Positive

Acuite believes that Chemspark India Private Limited' will benefit from its established relationship with its customers and suppliers coupled with sustained scale of operations, profitability and debt protection metrics over the medium term from. The outlook may be revised to 'Stable' in case of significant deterioration in operating income, thereby weakening profitability and further stretch in the working capital cycle. The rating will be upgraded in case of improvement in scale of operations along with sustenance of profitability and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	40.04	46.02
PAT	Rs. Cr.	3.28	3.58
PAT Margin	(%)	8.19	7.77
Total Debt/Tangible Net Worth	Times	0.12	0.29
PBDIT/Interest	Times	10.67	10.24

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
13-Sep-2019	Cash Credit	Long Term	5.55	ACUITE BB+/Stable (Upgraded)
	Letter of Credit	Short Term	3.95	ACUITE A4+ (Reaffirmed)
	Proposed Short Term facility	Short Term	0.50	ACUITE A4+ (Reaffirmed)
28-Jun-2018	Cash Credit	Long Term	0.05	ACUITE BB/Stable (Assigned)
	Cash Credit	Long Term	4.00	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	09-Dec-2019	Not Applicable	Not Applicable	5.55	ACUITE BB+/ Positive (Reaffirmed)
Letter of Credit	09-Dec-2019	Not Applicable	Not Applicable	5.45 (Enhanced from Rs 3.95 crore)	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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