

Press Release

Vadivarhe Speciality Chemicals Limited

October 11, 2019



Rating Downgraded and Withdrawn

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB- (Downgraded from ACUITE BB / Stable and Withdrawn)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+ and Withdrawn)

#Refer Annexure for details

Rating Rationale

Acuite has downgraded and withdrawn the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE BB**' (read as **ACUITE double B**) and short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 17.00 crore bank facilities of Vadivarhe Speciality Chemicals Limited (VSCL). The rating withdrawal is in accordance with the Acuite's 'policy on withdrawal of rating'.

The rating is being withdrawn on account of request received from the company and NOC from the banker.

The rating has been downgraded owing to steep decline in profitability leading to deterioration in the financial risk profile of the company. The EBITDA margins declined to 8 per cent in FY2019 as against 15.64 per cent in FY2018 and 30.32 per cent in FY2017. Similarly, the PAT margins declined to 0.19 per cent in FY2019 as against 6.82 per cent in FY2018 and 17.04 per cent in FY2019.

Nashik-based, Vadivarhe Speciality Chemicals Limited (VSCL) was incorporated in 2009 by Mr. Sunil H. Pophale, Mrs. Meena Sunil Pophale and Mr. Vasant Pandit Jagtap. VSCL is engaged in manufacturing of APIs (Active Pharmaceutical Ingredient), bulk drugs and special chemicals. The raw materials are procured primarily from local market and imported from China. Further, the finished products of VSCL are sold locally and also exported to the countries such as UK, USA, Switzerland and Malaysia. The manufacturing unit is located at Nashik (Maharashtra) with an installed capacity of 150 MTPA.

Analytical approach

Acuite has taken a standalone view of the business and financial risk profile of VSCL to arrive at this rating.

About the Rated Entity Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	32.67	25.88	35.27
EBITDA	Rs. Cr.	2.62	4.05	10.69
PAT	Rs. Cr.	0.06	1.77	6.01
EBITDA Margin	(%)	8.00	15.64	30.32
PAT Margin	(%)	0.19	6.82	17.04
ROCE	(%)	2.35	7.33	30.67
Total Debt/Tangible Net Worth	Times	0.77	0.35	0.54
PBDIT/Interest	Times	2.68	6.07	13.43
Total Debt/PBDIT	Times	7.81	2.34	1.11
Gross Current Assets (Days)	Days	326	306	284

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-July-2018	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Term Loans	Long Term	2.47	ACUITE BB / Stable (Assigned)
	PC / PCFC	Short Term	3.00	ACUITE A4+ (Assigned)
	Term Loans	Long Term	1.53	ACUITE BB / Stable (Assigned)
	Proposed Long Term Facility	Long Term	5.00	ACUITE BB / Stable (Assigned)

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- (Downgraded and Withdrawn)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.47	ACUITE BB- (Downgraded and Withdrawn)
PC / PCFC	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Downgraded and Withdrawn)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.53	ACUITE BB- (Downgraded and Withdrawn)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- (Downgraded and Withdrawn)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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