

Press Release

Kanoria Chembond Private Limited

July 27, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 7.50 crore bank facilities of Kanoria Chembond Private Limited. The outlook is '**Stable**'.

Kanoria Chembond Private Limited (KCPL) a Mumbai based company was incorporated in 2005 by Mr. Dinesh Ramavtar Kanoria and Mrs. Rita Dinesh Kanoria. The company is engaged in manufacturing of polyester and phenolic resins. Their manufacturing unit in Wada (Maharashtra) has capacity of producing 7000 tons of output per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter Mr. Dinesh Ramavtar of the company are backed by over decade of experience for manufacturing, selling of resin, turpentine, pine oil, resin derivatives, ketonic resins, ester germ, saturated and unsaturated resin etc.

- **Improvement in operating and PAT margins**

The operating margin improved from 6.96 times in FY-17 to 9.37 in FY-18 (Provisional) mainly due to decline in cost of raw material. Further, profit after tax (PAT) improved from 1.58 times in previous year to 3.08 times in FY-18 (Provisional).

Weaknesses

- **Working capital intensive operations**

KCPL's has stretched working capital cycle wherein gross current asset (GCA) days stand at 198 days in FY-18 (Provisional) as compared to 188 days in previous year. The inventory days has gone up from 31 days in FY-17 to 46 days in FY-18 (Provisional) backed by increase in job work by the company. Debtor days have been high at above 90 days in the past two years ended FY-18 (provisional).

- **Customer concentration risk**

KCPL faces high customer concentration risk as the company derives 70% of its revenue from job work which it primarily does for American clients like Owens Corning and Polyol and Polymers. Customer concentration makes a company vulnerable to changes in the requirements of the customer.

- **Moderate financial risk profile**

KCPL has moderate financial risk profile backed by its net worth of Rs.4.66 crore in FY-18 (Provisional) as compared to Rs.3.35 crore in previous year. Gearing of the company has improved from 2.16 times in FY-17 to 1.52 times in FY-18 (Provisional). Out of total debt of Rs.7.07 crore short term debt contributes to about Rs.4.55 crore, long term debt contributes to about Rs.1.60 crores and remaining is in the form of unsecured loans from promoters. Total outstanding liability to total net worth ratio (TOL/TNW) has improved from 3.87 times in FY-17 to 2.63 times in FY-18 (Provisional).

Analytical Approach

ACUITÉ has considered the standalone business and financial risk profiles of KCPL to arrive at the rating.

Outlook: Stable

ACUITÉ believes that the outlook for KCPL will remain 'Stable' over medium term backed by its moderate financial risk profile. The outlook may be revised to 'Positive' if the company achieves significant improvement in the working capital cycle and increased customer base. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.46	22.96	23.82
EBITDA	Rs. Cr.	2.01	1.60	1.71
PAT	Rs. Cr.	0.96	0.36	0.36
EBITDA Margin	(%)	9.37	6.96	7.16
PAT Margin	(%)	4.47	1.58	1.52
ROCE	(%)	13.70	10.96	24.26
Total Debt/Tangible Net Worth	Times	1.52	2.16	2.33
PBDIT/Interest	Times	2.85	2.45	2.29
Total Debt/PBDIT	Times	3.51	4.53	4.08
Gross Current Assets (Days)	Days	198	188	139

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	5.50	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+

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About Acuité Ratings & Research:

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