

Press Release

Siddharth Carbochem Products Limited

December 07, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 46.44 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 46.44 crore bank facilities of Siddharth Carbochem Products Limited (SCPL). The outlook is '**Stable**'.

Started in 1984, SCPL is a diverse company manufacturing a range of specialty chemicals and bulk drugs such as Salicylic Acid, Methyl Salicylate and Octyl Salicylate, amongst others. It is promoted by Mr. Ashesh Jain, Mr. Tushar Rane and Mr. I.C. Modi. SCPL's plant is located in Jalgaon (Maharashtra) with overall capacity of producing 9500 MT annually.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SCPL to arrive at this rating.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

SCPL was set up in 1984, as manufacturer and trader of specialty chemicals and bulk drugs. SCPL is operated and managed by Mr. Ashesh Jain, who has been in the aforementioned line of business for more than 2 decades.

• Reputed clientele

SCPL's products are used for flavor and fragrance in cosmetic, health care as well as in pharmaceutical industry. Long track record of operations, quality control and extensive experience of the promoters have helped SCPL attract some of the key clients for SCPL including Reckitt Benckiser Healthcare India Limited, Gujarat Organics, The India Chemical Company and Emami Limited among others. Top 10 customers for SCPL contributed to about 37.43 percent of the top line.

• Moderate financial risk profile

SCPL has moderate financial risk profile backed by net worth of Rs.16.40 crore in FY2018 as against Rs.14.27 crore in the previous year. Out of the total debt of Rs.20.16 crore in FY2018, short term debt contributes to about Rs.19.48 crore, long term debt is about Rs.0.42 crore and the balance is in the form of unsecured loan. Interest Coverage Ratio (ICR) in FY2018 stood at 3.05 times as compared to 2.27 times in the previous year. Debt Service Coverage Ratio (DSCR) improved from 1.99 times in FY2016 to 2.73 times in FY2018.

Weaknesses

• Moderate working capital cycle

SCPL has moderate working capital cycle as marked by Gross Current Asset (GCA) of 138 days in FY2018 as compared to 127 days in FY2017. This is primarily due to inventory pile up (low sales) and inventory days increasing from 16 in FY2017 to 25 in FY2018. Debtor days stood at 92 in FY2018 as compared to 94 in the previous year. SCPL enjoys Cash Credit (CC) facility of Rs.4.94 crore which on an average remains fully utilised pressurizing liquidity.

• Moderate scale of operations

SCPL suffers from moderate scale of operations as backed by operating income of Rs.83.05 crore in FY2018 as compared to Rs.100.96 crore in the previous year. This is partially attributed to impact of GST and partially to shift in target customer to more organised and large clientele. SCPL had grown at CAGR of -6 percent through 2016 to 2018.

Outlook: Stable

Acuite believes that SCPL will maintain a 'stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or any deterioration in the company's capital structure and working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	83.05	100.96	93.50
EBITDA	Rs. Cr.	4.97	3.77	2.78
PAT	Rs. Cr.	2.14	1.26	0.67
EBITDA Margin	(%)	5.98	3.74	2.98
PAT Margin	(%)	2.58	1.25	0.71
ROCE	(%)	11.75	8.55	13.30
Total Debt/Tangible Net Worth	Times	1.23	1.39	1.44
PBDIT/Interest	Times	3.05	2.27	2.54
Total Debt/PBDIT	Times	4.13	5.91	7.00
Gross Current Assets (Days)	Days	138	127	112

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>
- 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	4.94	ACUITE BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A3

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Kunal Khera Analyst - Rating Operations Tel: 02249294042 kunal.khera@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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