



Press Release
Siddharth Carbochem Products Limited
November 06, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.94	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	51.06	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	56.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating to '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 56.00 crore bank facilities of SIDDHARTH CARBOCHEM PRODUCTS LIMITED (SCPL). The outlook is 'Stable'.

Rationale for Reaffirmation

The rating reaffirmation derives comfort from long track record of operations, diversified product range, and diversified customer base across various industries of the Rishabh group. Further, the rating continues to draw comfort from extensive experience of promoters in the chemical industry, along with improved revenues driven by increase in capacities and healthy financial risk profile of the group. The revenues have increased to ~Rs. 382 Cr. in FY2023 (Provisional.) against Rs 310 Cr. in FY2022 marking a growth of almost 23% in the current year and 4 year CAGR of 13%. Further, the rating factors low gearing of 0.33 times as on 31st March 2023 (Provisional.) healthy debt coverage indicators as evident from the interest coverage ratio (ICR) of 8.43 times in FY2023 (Provisional.) and debt service coverage ratio (DSCR) of 4.90 times during the same period. On the contrary, ratings are constrained on account of deteriorated profitability margins and susceptibility of profits to volatile prices of raw material and forex rates.

About Company

Started in 1984, Mumbai based Siddharth Carbochem Products Limited (SCPL) is a diverse company manufacturing a range of specialty chemicals, bulk drugs. It is among very few companies around the globe capable of manufacturing Methyl Salicylate with very low (under 10 ppm) impurity profile (e.g. Phenol, Methyl Paraben etc.). Other products which are under development include Octyl Salicylate, Benzyl Salicylate, Hexyl Salicylate, Iso amyl Salicylate. These products are extensively used in Pharmaceuticals, Food, Beverages, Flavour and Fragrance, Tobacco, cosmetics, homecare and personal care industry.

About the Group

Rishabh Group is promoted by Mr. Ashesh Jain who possess experience for almost nearly two decades in speciality chemical industry. RMC is engaged in manufacturing of speciality chemicals and watersoluble polymers which finds applications in various industry. SCPL is the largest manufacturer of Methyl Salicylate & Salicylic Acid derivatives in India. The group has its manufacturing facility located in Jalgaon, Maharashtra.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken consolidated view on the business and financial risk profile of RMC and SCPL together referred to as 'Rishabh Group' to arrive at the rating. The consolidation is in view of common management and cross guarantee given.

Key Rating Drivers

Strengths

Experienced management, long track record of operations and diverse customer base

Rishabh group has presence in specialty chemicals industry since 1975. The group is operated and managed by Mr. Ashesh Jain who has experience of nearly two decades in the aforementioned industry. SCPL is engaged in manufacturing of Methyl Salicylate & other salicylic acid derivatives. The group set up its other company RMC in 1983 and it is engaged in manufacturing of specialty chemicals and water-soluble polymers. RMC manufactures range of specialty chemicals and watersoluble polymers like wet strength resins, poly amide resin, poly DCDA resins and blends of organic and inorganic coagulants. Further, the group's various range of products find applicability in various industries such as pharmaceuticals, flavour & fragrances, cosmetics, water and waste water treatment, paper, textile, sugar etc. Due to diverse base of customers, the group has reported stable y-o-y growth in its revenues. The revenues stood at ~Rs. 382 Cr in FY2023 (Provisional) against Rs. 310 Cr. in FY2022. Further, the four year CAGR stood at ~13% ended FY2023.

Acuité believes that the group will continue to benefit from its experienced management and established track record in maintaining long standing relations with its customers and suppliers.

Healthy financial risk profile

The group's financial risk profile is healthy marked by comfortable capital structure and strong debt protection metrics. The group's total net worth stood at Rs. 83.48 Cr. as on March 31, 2023 (Provisional.) against Rs. 67.69 Cr as on 31st March 2022. The group believes in conservative leverage policy as reflected in its below unity gearing of around 0.34 times as on March 31, 2023 (Provisional.) against 0.33 times as on March 31, 2022. The current consolidated debt includes long term debt to the tune of Rs. 5.49 Cr., Short term loan in the form of CC (Cash Credit) & PCL (Packing Credit limit) of Rs. 22.44 Cr. Further, the Interest coverage ratio (ICR) and Debt Service Coverage ratio (DSCR) stood healthy at 8.43 times and 4.90 times for FY2023 (Provisional.) as against 9.17 times and 2.38 times in FY2022 respectively. Total outside liabilities to total net worth (TOL/TNW) stood low at 1.11 times as on FY2023(Provisional.) vis-à-vis 1.22 times as on FY2022. Going forward, the group is in plans to avail additional limits to the tune of Rs. 50 Cr. under SCPL for working capital purpose. This is expected to increase the gearing marginally however will remain comfortable and below unity. The gearing is expected to remain at 0.44 times for FY2024. Rest indicators are expected to remain at similar levels. Further, the group under its another subsidiary i.e 'RCM Performers' is in the process of availing TL to the tune of Rs. 11 Cr. for the purpose of setting of a manufacturing facility at Jalgaon for production of Asipirin which is a common drug used to reduce pain, fever, or inflammation. The debt will be availed by the group's another subsidiary company but Corporate Guarantee has been extended towards the same by SCPL. Timely completion of the project and repayment of debt without any delays will remain sensitive towards the rating.

Weaknesses

Marginal deterioration in profitability margins.

The group on a consolidated level has reported operating income of Rs. 381.73 Cr. in FY2023 (Provisional) against Rs. 310.31 Cr in FY2022. The growth in revenues is largely driven by better utilisation of the capacities. During FY2023, under RMCPL the group has undertaken capex wherein capacities have been increased from 7500 kg to 10,000 kg. Further, the utilisation

levels have stood improved under SCPL & RMCPL at 54% and 86% in FY2023 against 47% and 55% in FY2022. However, the consolidated EBITDA margins have stood marginally lower at 6.67% in FY2023 (Provisional) against 7.76% in FY2022. The drop in EBITDA margins is largely driven by increase in raw material costs under SCPL. The material costs under SCPL stood at 79.67% in FY2023 (Provisional) against 74.74% in FY2022. The margins are highly susceptible to changes in raw material prices. Further, PAT margins have stood at 4.14% in FY2023 (Provisional.) against 4.63% in FY2022.

Acuite believes companies ability to scale up operations whilst maintaining profitability will remain critical towards the rating.

Susceptible to fluctuation in prices of raw material and forex rates

The group's revenues and profitability remain susceptible to the cost of raw materials. The group's total raw material cost constitutes around ~80 percent of total sales. Major raw materials required by the group are monomers like dimethylamine, diethylamine, etc. which are 50 percent imported and 50 percent domestically procured. The group's profitability is exposed to adverse fluctuations in prices of these raw materials. However, given the group's established market position, it has been able to transfer the prices to the customers to some extent marked by its stable operating margins. Further, the group faces foreign exchange fluctuation risk as the group's average exports are around 30 percent. However, the forex risk is mitigated to an extent by a way of forward contract which acts as a natural hedge.

Rating Sensitivities

- Improvement in revenues thereby improvement in profitability margins
- Any changes in capital structure leading to changes in financial risk profile
- Timely debt repayments by subsidiary company (RCM Performers)

All Covenants

Not Available

Liquidity Position

Strong

The group has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 18.74 Cr. for FY2023 while the maturing debt obligations were in the range of Rs. 1.25 Cr. for the same period. Further, the group has cash and bank balances of around Rs. 4.89 Cr. as on 31st March 2023 (Provisional) and short term liquid investments in Mutual Fund & Marketable securities of around Rs. 11.84 Cr. Further, the fund based working capital limits for SCPL and RMCPL have an average utilization of around 88% and 25%. for the last six months ending September 2023.

Outlook: Stable

Acuite believes that the group will maintain a 'Stable' outlook over the medium term on account of sustainable revenue growth over the years, its experienced management, and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability along with sustainable increase in its capacity utilisation. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity profile most likely as a result of higher than the envisaged working capital requirements.

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	381.73	310.31
PAT	Rs. Cr.	15.79	14.38
PAT Margin	(%)	4.14	4.63
Total Debt/Tangible Net Worth	Times	0.34	0.33
PBDIT/Interest	Times	8.43	9.17

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

Not Applicable.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Aug 2022	Letter of Credit	Short Term	36.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	4.94	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	4.07	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.49	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	8.50	ACUITE A2 (Reaffirmed)
13 Aug 2021	Letter of Credit	Short Term	36.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Working Capital Term Loan	Long Term	0.49	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	8.50	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Long Term	4.07	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	4.94	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
01 Sep 2020	Cash Credit	Long Term	4.94	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	3.56	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	33.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	8.50	ACUITE A3+ (Upgraded from ACUITE A3)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.94	ACUITE BBB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.50	ACUITE A2 Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	36.00	ACUITE A2 Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.06	ACUITE A2 Reaffirmed
ICICI Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE A2 Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 jaitashree.hukerikar@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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