



**Press Release**  
**Ala Chemicals Private Limited**  
**June 03, 2024**  
**Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	ACUITE BB+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	1.00	Not Applicable   Withdrawn	-
Bank Loan Ratings	30.00	-	ACUITE A4+   Reaffirmed & Withdrawn
Bank Loan Ratings	28.00	-	Not Applicable   Withdrawn
<b>Total Outstanding Quantum (Rs. Cr)</b>	0.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	71.50	-	-

**Rating Rationale**

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 12.50 crore bank facilities and also reaffirmed and withdrawn the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 30.00 crore bank facilities of Ala Chemicals Private Limited (ACPL).

Acuite has withdrawn the long-term proposed rating of Rs.1.00 crore bank facilities and also withdrawn the short-term proposed rating of Rs.28.00 crore bank facilities of Ala Chemicals Private Limited (ACPL) without assigning any rating.

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument.

**Rationale for rating reaffirmation**

The group has an average financial risk profile is marked by declining net worth, comfortable gearing and healthy debt protection metrics, The rating also draws comfort from the experienced promoters and the company's long track record in the industry. These strengths are however, offset by the working capital-intensive in nature of operations along with the average financial risk profile. The group has an average financial risk profile is marked by declining net worth, comfortable gearing and healthy debt protection metrics. The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 181 as on FY2023 as compared to 200 days of FY2022. The company's liquidity position is adequate marked by net cash accruals of Rs.16.56 Cr. as on FY2023 as against nil long-term debt repayment.

### **About Company**

Thane based Ala Chemicals Private Limited was incorporated in 1966 and taken over by Lalitha Group in 2015. Lalitha Group is promoted by Mr. Subray S Hosmane and Mrs. Veena Hosmane. The company is engaged in manufacturing and trading of PVC additives which are known as "Heat Stabilizers". The heat stabilizers are based on Lead, Tin, Barium/Cadmium/Zinc/Potassium and Calcium/Zinc etc. Currently the directors of the company are Mr. Subray Hosmane, Mrs. Veena Hosmane and Mr. Jitendra Bhat Mrityunjaya Hire.

## About the Group

Thane based Lalitha Group was established in the year 1978 by Hosamane family. The chief promoters of this Group are Mr. Subray S Hosamane and Mrs. Veena Hosamane. The Lalitha Group consists of Lalitha Chem Industries Private Limited, Subray Catal Chem Private Limited and Ala Chemicals Private Limited. This group is engaged into manufacturing of organic and inorganic chemicals like PVC Plasticizers, CPVC Compounds, Calcium Zinc Stabilizers, Tin Stabilizers for PVC, Metallic Stearates, Lubricants etc., which are used in the irrigation and infra industries mainly which is contributing more than 90% of its revenue. The group is in the business for the past four decades.

The group's marketing and plant operations are managed by Mr. Subray S Hosamane with the support of team of people and the finance, administration and other activities are looked after by the CFO of the Group.

## Unsupported Rating

Not Applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Lalitha Chem Industries Private Limited (LCPL), ALA Chemicals Private Limited (ALA) and Subray Catal Chem Private Limited (SCPL) to arrive at the rating due to same line of business, common management and various business and financial linkages between the group companies.

## Key Rating Drivers

### Strengths

#### Experienced management and long track record of operations

Lalitha Group is engaged in manufacturing of different types of Stabilizers, PVC plasticizers and CPVC compounds since 1978. The directors, Mr. Subray Hosmane looks over the plant operations and sales and Mrs. Veena Hosmane looks after finance and other sales supporting functions and their daughter Ms. Suma Hosmane is Chief Marketing Officer. Mr. Subray Hosmane and Mrs. Veena Hosmane hold almost four decades of experience in the same line of business. The directors have helped Lalitha Group in establishing relationships with various suppliers and customers in the industry over the years. Acuité believes Lalitha Group will continue to benefit from the experience of its management and long track record of operations.

### Average financial risk profile

The group has an average financial risk profile is marked by declining net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth has decreased to Rs. 120.30 Cr. as on FY2023 as compared to Rs. 145.38 Cr. as on FY2022 due to accretion of reserves. The gearing of the company stood at 0.56 times as on FY2023 as compared to 1.08 times as on FY2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.94 times as on FY2023 as against 1.70 times as on FY2022. The debt protection metrics of the company marked by comfortable Interest Coverage Ratio (ICR) at 4.33 times as on FY2023 as compared to 4.93 times as on FY2022 but healthy Debt Service Coverage Ratio at 3.41 times as on FY2023 as compared to 3.93 times as on FY2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.25 times as on FY2023. Acuité believes that financial risk profile is expected to be remain average over the medium term in absence of major debt funded capex plans.

### Weaknesses

#### Susceptibility of profits to volatility in raw material prices and fluctuation in forex

The major raw material for Lalitha Group is various types of chemical resins and additives

which is mainly imported and the price of same is highly volatile in nature. Raw material costs account up to 92% of Lalitha Group's turnover, hence, any adverse movement in the raw material prices can impact the profitability of Lalitha Group. Lalitha Group imports around 85 percent of its raw material requirement from countries including Japan, Singapore, West Bengal and Malaysia. However, Lalitha group covers 50% of their forex exposure under the forward contracts, so the margins are protected against any fluctuation in forex rate to that extent.

#### **Working capital intensive nature of operations**

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 181 as on FY2023 as compared to 200 days of FY2022 due to significantly changes in high other current asset which consists of other deposit, prepaid expenses material on loans etc. However, the debtor days stood comfortable at 88 days as on FY2023 as compared to 121 days as on FY2022. The inventory period stood relatively low at 67 days as on FY2023 as compared to 48 days FY2022 respectively. Acuité believes that the working capital management of KAILPL's will remain intensive given the nature of the industry.

#### **Rating Sensitivities**

Not Applicable

#### **Liquidity Position Adequate**

The company's liquidity position is adequate marked by net cash accruals of Rs.16.56 Cr. as on FY2023 as against nil long-term debt repayment during the same period. The current ratio stood at 2.19 times as on FY2023, as compared to 2.07 times as on FY2022. The cash and bank balances stood at Rs. 0.07 Cr. FY2023. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 181 days as on FY2023 as compared to 200 days as on FY2022, due to high other current asset which signifies FD's and interest receivables. Acuité believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals.

#### **Outlook: Not Applicable**

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	384.86	436.63
PAT	Rs. Cr.	15.74	17.64
PAT Margin	(%)	4.09	4.04
Total Debt/Tangible Net Worth	Times	0.56	1.08
PBDIT/Interest	Times	4.33	4.93

### 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, Acuité 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Sep 2023	Cash Credit	Long Term	10.00	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Proposed Short Term Bank Facility	Short Term	28.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	2.50	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
29 Jun 2022	Cash Credit	Long Term	10.00	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Proposed Short Term Bank Facility	Short Term	28.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	2.50	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
31 Mar 2021	Cash Credit	Long Term	10.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Proposed Short Term Bank Facility	Short Term	28.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Term Loan	Long Term	2.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB+   Reaffirmed & Withdrawn
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A4+   Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	Not Applicable   Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	Not Applicable   Withdrawn
Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE BB+   Reaffirmed & Withdrawn

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Lalitha Chem Industries Private Limited
2	ALA Chemicals Private Limited
3	Subray Catal Chem Private Limited

## Contacts

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### 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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