

Press Release

Crescent Organics Private Limited

January 15, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 260.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite 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. 260.00 crore bank facilities of Crescent Organics Private Limited (COPL).

COPL was incorporated in 1991. The company is engaged in trading of bulk chemicals and solvent. It is a part of Crescent Group which is engaged in similar line of business. The company is also engaged in manufacturing of poly bags. The installed capacity is 55, 00,000 bags per month.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Asian Solvochem Private Limited (ASPL), Crescent Organics Private Limited (COPL) and Crescent Chemicals (CC) together referred to as the 'Crescent Group' (CG) to arrive at the rating. The consolidation is in view of the similarities in the lines of business, operational and financial synergies and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The group has been in operations since 1964 and is managed by the promoters. They have more than 5 decades of experience in the chemical industry. Thus, the group benefits from its long existence and relations forge with customers and suppliers.

- **Diverse application of products**

The group has a diversified application for the product portfolio as it cater to the need of various industries such as pharmaceuticals, chemicals, agrochemicals, paints, food packaging and petrochemicals, among others. Thus, reducing the dependency of sale of its products in a particular industry.

- **Efficient working capital management and adequate liquidity**

The company continues to efficiently manage its working capital requirement with working capital cycle of 59 days in FY2018 compared to 42 days in the previous year. Further, the liquidity remains adequate because of comfortable cash accruals against debt repayment obligation and absence of any debt funded capex over the medium term.

Weaknesses

- **Low profitability and susceptibility of margins to volatility in chemical prices and forex rates**

The group reported operating margin of 2.48 percent for FY2018 as against 2.94 percent in FY2017. Further, CG reported Profit after tax (PAT) margin of 0.87 percent for FY2018 as against 2.49 percent in the previous year. The low margins are on account of the trading nature of operations. Further, the group's profitability margins are susceptible to fluctuations in the raw material prices of traded chemicals and foreign exchange fluctuations as the raw materials are imported. However, the group hedges ~70 percent of its goods which mitigates the risk partially.

• Highly competitive and fragmented industry

The chemical trading industry is a highly fragmented industry and there are large numbers of organised and unorganised players which has led to high competition in the industry. The company faces competition from few large players as well as numerous players in the unorganised segment. Also on account of its trading nature of business, the entry barriers are low, leading to stiff competition for the company.

Outlook: Stable

Acuite believes that COPL will maintain a stable outlook on account of its experienced management and established relations with reputed clientele. The outlook may be revised to 'Positive' in case the company achieves significant growth profitability while maintaining comfortable capital structure and liquidity. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or liquidity profile due to higher than expected debt funded capex plan.

About the Group

CG includes three companies i.e. Asian Solvochem Private Limited (ASPL), Crescent Organics Private Limited (COPL) and Crescent Chemicals (CC). The group has its presence in the industry since 1964 and is engaged in trading of bulk chemicals and solvent. Apart from trading, COPL is engaged in manufacturing of poly bags with installed capacity of 55 lac bags per month.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	921.77	624.55	586.29
EBITDA	Rs. Cr.	22.86	18.38	0.76
PAT	Rs. Cr.	8.06	15.57	-0.75
EBITDA Margin	(%)	2.48	2.94	0.13
PAT Margin	(%)	0.87	2.49	-0.13
ROCE	(%)	10.72	17.05	3.87
Total Debt/Tangible Net Worth	Times	1.57	1.36	0.50
PBDIT/Interest	Times	2.29	2.89	1.06
Total Debt/PBDIT	Times	5.53	4.01	6.04
Gross Current Assets (Days)	Days	146	208	115

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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	5.00	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Assigned)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/Stable (Assigned)
Standby Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	185.00	ACUITE A3 (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 (Assigned)
LC Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Assigned)

Cash credit of Rs.10.00 crore includes sublimit of letter of credit to the extent of Rs.10.00 crore.

Standby Letter of Credit of Rs.10.00 crore includes sublimit of overdraft, shipping guarantees, import LC (unsecured), import LC (secured), bond & guarantees, short term loans, to the extent of Rs. 8.00 crore, Rs.10.00 crore, Rs. 10.00 crore, Rs.10.00 Crore, Rs.5.00 crore and Rs.3.00 crore respectively.

Letter of Credit of Rs.185.00 crore includes sublimit of letter of guarantee, cash credit, UBP, UBD, EPC/PCFC, FDBP/FUDBP/AFDBC to the extent of Rs. 25.00 crore, Rs. 20.00 crore, Rs.5.00 crore, Rs.5.00 crore, Rs.3.50 crore and Rs.5.50 crore.

Letter of Credit of Rs.20.00 crore includes sublimit of Inland LC, cash credit, working capital demand loan, PCFC, PSFC, counter bank guarantee, SBLC for imports to the extent of Rs. 5.00 crore. Rs.5.00 crore, Rs. 5.00 crore, Rs.1.00 crore, Rs.1.00 crore, Rs.20.00 crore and Rs.20.00 crore respectively.

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About Acuité Ratings & Research:

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