

Press Release

Camlin Fine Sciences Limited

June 18, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 392.30 Cr.
Long Term Rating	ACUITE A- (Withdrawn)
Short Term Rating	ACUITE A2+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 392.30 crore bank facilities of Camlin Fine Sciences Limited (CFSL). The outlook is 'Stable'. The rating is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from banker.

About the Company

Camlin Fine Chemical was incorporated in year 1993. Camlin Fine Chemical was one of the division in the Kokuyo Camlin Limited erstwhile Camlin Ltd. to manufacture antioxidants for the global market. CFSL was formed after de-merging (mirror shareholding) the fine chemical business from Camlin Ltd. Manufacturing plant of the company was set up in Tarapur, Maharashtra. Camlin Fine Sciences Limited researches, develops, manufactures, and markets specialty chemical and blend products with a customer base spread across 80 countries worldwide including India and products having applications in food, feed, animal and pet nutrition, flavours and fragrances, agro chemicals, petro chemicals, dyes and pigments, polymers, bio-diesel and pharmaceutical which can be broadly classified under three main verticals, namely, Shelf Life Solutions, Performance Chemicals, and Aroma.

About the Group

CG includes nineteen companies including the flagship company CFSL, its eight subsidiaries and ten step-down subsidiaries. CG is engaged in manufacturing of antioxidants, aroma ingredients, specialty chemical and blend products. It is a Mumbai based group promoted by Mr. Ashish Dandekar.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of CFSL and its eight subsidiaries and ten step-down subsidiaries together referred to as the 'Camlin Group' (CG) to arrive at the rating. The consolidation is in view of operational and financial synergies amongst the group companies, and common management. The list of entities consolidated has been given in Annexure below.

Key Rating Drivers

Strengths

• Extensive experience of the management and with an established position in the anti-oxidant and specialty chemical segment with a diversified clientele

CFSL is one of the major players across the globe in the food antioxidants market, with a strong position in Aroma segment and specialty chemicals. The company has been manufacturing antioxidants for three decades and has varied product offerings including food antioxidants (Tertiary Butyl Hydroquinone (TBHQ) and Butylated Hydroxy Anisole (BHA)), Aroma ingredients, and other specialty chemicals.

The customer base is also diversified across the domestic and international markets, the company derives ~13.50 per cent of its revenues from domestic market, while balance is through export sales. CFSL is the flagship company of the group and is engaged in this industry for more than 26 years. The

company is promoted by Mr. Ashish Dandekar who is the Managing Director of the company holds extensive industry experience of around three decades in the chemical and pharmaceutical industry.

The extensive experience of the promoters in the industry has helped the company build strong market presence. Some of the key customers are Adani Wilmar Ltd (AWL), FMC Agricultural Products International Ag (FMC), Vitablend Nederland B.V. (Vitablend) among others.

CFSL has set up a plant in Dahej, Gujarat with a proposed capacity of 10,000 MTPA for manufacturing of Diphenols and its derivatives which started commercial operations in September 2020, thereby providing a strong revenue visibility over medium term.

Acuité believes that CFSL will continue to benefit from its experience in the chemical and pharmaceutical industry and its relations with large players in the chemical industry over near to medium term. On account of its established presence in the industry, CFSL has been able to build esteemed client profile.

• **Healthy financial risk profile**

CG's financial risk profile is healthy marked by adequate capitalization, moderate gearing and healthy debt protection measures. The net worth of the company stood at Rs. 359.81 crore as on 31st March 2020 as against Rs. 365.37 crore in the previous year. It stood at 452.74 crore as on September 2020. Total debt stood at Rs. 538.51 crore as on March 31, 2020 against Rs. 460.88 crore as on March 31, 2019. The total debt as on March 31, 2020 consists of Rs. 221.18 of working capital debt and the rest is term debt. The coverage indicators also remain healthy. Interest coverage ratio stood at 3.80 times in FY2020 against 1.51 in the previous year. CGs DSCR stood at 1.72 times in FY2020 and 1.20 times in FY2019. Total Outside Liabilities/ Total Net worth stood at 2.04 times in FY2020 against 1.68 times in FY2019. For 6M FY2021 total debt stood at Rs. 536.75 crore. Interest coverage ratio stood at 4.63 times and DSCR stood at 1.78 times for the same period.

Weaknesses

• **Intense competition due to fragmented nature of specialty chemicals, anti-oxidants industry and exposure to risks related to regulatory changes**

The domestic specialty chemical industry is highly fragmented, and a large part of the industry is serviced by small and mid-sized entities also it is dominated by 5-6 large multinational players such as Ciba Specialty Chemicals (BASF SE), SABIC, Lanxess AG, Songwon Industrial Group and Akzo Nobel N.V. These players have large surplus production capacity and engage in competitive pricing when the global demand weakens. However the group has moved into forward integration into blend business and the objective is to go beyond the current bulk business which is prone to margin pressures from both input and output side. This forward integration will create the entry barriers to existing and prospective entrepreneurs into the blend business which is a technology and knowledge based business. In this regard, CG has the advantage of an extensive and successful track record and enjoys a healthy association of nearly three decades with most of its customers, which ensures revenue visibility over the medium term. CG is susceptible to regulatory changes in the Indian and global markets as a majority of its revenue is derived from food grade ingredients. However, the group is increasing the proportion of specialty chemicals and aroma products to mitigate the risks.

• **Working capital intensive nature of operations**

The working capital management is marked by Gross Current Assets (GCA) of 230 days in FY2020 as against 246 days in FY2019. The company maintains inventory of around 120 days on an average as the group provides for the raw material requirements of overseas subsidiaries centrally from India and extends clean credit of around 90 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 117 days and 91 days in FY2020 as against 127 days and 87 days in FY2019 respectively. The GCA at 232 days as on September 30, 2020 and the debtor and inventory days stood at 121 and 69 respectively for the same period.

Acuité believes that the working capital requirement will continue to remain high over the medium term on account of its high inventory requirements.

Liquidity Position: Adequate

CFSL has generated NCA in range of Rs. 2.68 to 62.63 crore against repayment obligations in the range of Rs. 16.64 crore – Rs. 35.98 crore. CFSL has working capital intensive operations with GCA of over 230 days in FY2020. This makes the company dependent on bank borrowings to fund its working capital requirement adversely impacting its liquidity profile. Its average bank limit utilization stood at ~92 percent for 6 month ending March 31, 2021. ITI's liquidity profile will remain adequate on account of adequate NCAs vis-à-vis repayment obligations partially impacted by elongated working capital operations.

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook: Not Applicable

About the Rated Group - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1049.15	892.17
Profit after Tax (PAT)	Rs. Cr.	29.83	3.01
PAT Margin	(%)	2.84	0.34
Total Debt/Tangible Net Worth	Times	1.50	1.26
PBDIT/Interest	Times	3.80	1.51

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
06-Feb-2020	Cash Credit	Long Term	16.00	ACUITE A- (Reaffirmed)
	Packing Credit	Long Term	30.00	ACUITE A- (Reaffirmed)
	Cash Credit	Long Term	65.00	ACUITE A- (Reaffirmed)
	Cash Credit	Long Term	89.00	ACUITE A- (Reaffirmed)
	Term Loan	Long Term	7.50	ACUITE A- (Reaffirmed)

	Letter of Credit	Short Term	19.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	36.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	72.80	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Standby Letter of Credit	Short Term	25.00	ACUITE A2+ (Reaffirmed)
17-Jan-2020	Cash Credit	Long Term	16.00	ACUITE A- (Under rating watch with developing implications)
	Packing Credit	Long Term	30.00	ACUITE A- (Under rating watch with developing implications)
	Cash Credit	Long Term	65.00	ACUITE A- (Under rating watch with developing implications)
	Cash Credit	Long Term	89.00	ACUITE A- (Under rating watch with developing implications)
	Term Loan	Long Term	7.50	ACUITE A- (Under rating watch with developing implications)
	Standby Line of Credit	Short Term	19.00	ACUITE A2+ (Under rating watch with developing implications)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Under rating watch with developing implications)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Under rating watch with developing implications)
	Letter of Credit	Short Term	36.00	ACUITE A2+ (Under rating watch with developing implications)
	Letter of Credit	Short Term	72.80	ACUITE A2+ (Under rating watch with developing implications)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Under rating watch with developing implications)
	Letter of Credit	Short Term	25.00	ACUITE A2+ (Under rating watch with developing implications)
06-Mar-2019	Cash Credit	Long Term	16.00	ACUITE A- / Stable (Assigned)
	Packing Credit	Long Term	30.00	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	65.00	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	89.00	ACUITE A- / Stable (Assigned)

	Term Loan	Long Term	7.50	ACUITE A- / Stable (Assigned)
	Standby Line of Credit	Short Term	19.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	36.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	72.80	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A2+ (Assigned)

***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	16.00	ACUITE A- (Withdrawn)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	89.00	ACUITE A- (Withdrawn)
Term Loan	Not Available	Not Available	Not Available	7.50	ACUITE A- (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A2+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	72.80	ACUITE A2+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A2+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2+ (Withdrawn)
Standby Letter of Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A2+ (Withdrawn)

Annexure – List of entities consolidated

Sr.	Company's Name	Subsidiary / Step Down Subsidiary
1	Camlin Fine Sciences Limited	Subsidiary
2	CFS Europe S.p A.	Subsidiary
3	CFS Do Brasil Importacao E Exportacao De Aditivos Alimenticios LTDA	Subsidiary
4	Solentus North America Inc	Subsidiary
5	CFS North America LLC	Subsidiary
6	CFS International Tradin~ (Shanghai) Ltd (upto September 14, 2020)	Subsidiary
7	Dresen Quimica, S.A.P.I.Jde C.V.	Subsidiary
8	Inovel, S.A.S.	Subsidiary
9	Industrias Petrotec De Mexico S.A De C.V.	Step down subsidiary
10	Nuvel SAC	Step down subsidiary
11	Britec, S.A.	Step down subsidiary
12	Grine, S.R.L.	Step down subsidiary
13	Chemolutions Chemicals Ltd.	Step down subsidiary
14	CFS Wanglong Flavours (Ningbo) Co. Ltd.	Step down subsidiary
15	CFS Argentina S.A.	Step down subsidiary
16	CFS Chile S.p.A	Step down subsidiary
17	CFS Pahang Asia Pte Ltd.	Step down subsidiary
18	Fine Lifestyle Brands Ltd.	Step down subsidiary

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About Acuite Ratings & Research:

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