



Press Release
ABC CHEMICAL EXPORTS PRIVATE LIMITED
April 29, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	20.25	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	25.25	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating to ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) from ‘**ACUITE BBB**’ (read as **ACUITE triple B**) and the short-term rating to ‘**ACUITE A2**’ (read as **ACUITE A two**) from ‘**ACUITE A3+**’ (read as **ACUITE A three plus**) on Rs. 25.25 Cr. bank facilities of ABC Chemical Exports Private Limited (ACEPL). The outlook is ‘**Stable**’.

Rationale for rating

The rating upgrade takes into consideration the significant improvement in the operating performance of the company in FY24 & FY25 supported by moderate financial risk profile and strong liquidity position. Further, the rating factors in the established track record of operations along with the long-standing experience of the management in the specialty chemical trading industry. However, these strengths are partially offset by moderately intensive working capital operations of the company and geographical concentration of revenues.

About the Company

Incorporated in 1997, ABC Chemical Exports Private Limited is a Maharashtra based company, engaged in trading and exports of specialty chemicals. The company caters to printing ink, paints, flexible packaging, cosmetics, plastic masterbatch and resin industries, having a product portfolio of nitrocellulose, titanium dioxide, pigments, solvents, etc. The company has been recognized as One Star Export House by the Directorate General of Foreign Trade (DGFT), the Indian Ministry of Commerce and Industry. The current directors of the company are Mr. Vinay Hiroo Thadani and Ms. Monisha Vinay Thadani.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ACEPL to arrive at the rating.

Key Rating Drivers

Strengths

Extensive experience of the management along with established track record of operations

Since 1984, the promoter Mr. Hiroo Thadani has been involved in the chemical trading segment. He is equally supported by the second generation management comprising of Mr. Vinay Thadani who has experience of around

two decades in this industry. The extensive experience of the promoters and established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in both domestic as well as global market.

Further, the expanded presence of the company with its headquarter in Mumbai, branch office in Sharjah, multiple sales offices across the globe in countries like China, Egypt, Turkey, UAE, etc. along with affiliations with third party warehouses in places like Mumbai, Sharjah, etc. has enabled its growth. The company has also been participating in global trade fairs to establish their relationships. Almost 80-85 per cent of the sales flows through the merchant sale business model wherein the company purchases the materials from manufacturers and is shipped directly to the destination port of end customer. Further, the remaining revenue is booked through the stock & sale business model in which the company stores the materials at third party warehouses based on demand forecasts from the customers.

Acuité believes that ACEPL will continue to benefit from prior experience of the management with established track record of operations in the export industry.

Significant growth in operating revenue with sustained profitability margins

The company reported a revenue of Rs. 566.72 Cr. in FY24, marking a significant increase of ~47 percent y-o-y from Rs. 384.91 Cr. in FY23. This growth is attributable to the strong demand in the chemical industry (especially from African continent) and opening of new sales offices to cater new markets. Additionally, the company's operating margins have also reflected stable growth, standing at 3.40 percent in FY24 as compared to 3.29 percent in FY23 on account of improving efficiency in operations. The company's net profitability increased marginally to 1.92 percent in FY24 as against 1.90 percent in FY23. Moreover, in FY2025, the company has registered an operating revenue of Rs. 650.57 Cr. Further, the company has been trading majorly (~97 percent of total sales) in US dollars which provides natural hedge and mitigates the foreign exchange fluctuation risk. Also, in case of transactions in other currencies, the company books forward contracts which protects the margins.

Moderate financial risk profile

The financial risk profile of the company is marked by moderate net worth of the company which stood improved at Rs. 45.51 Cr. as on March 31, 2024 as against Rs. 34.65 Cr. as on March 31, 2023, owing to the accretion of profits to reserves. The total debt of the company stood at Rs. 10.01 Cr. in FY24 as compared to Rs. 9.26 Cr. in FY23. The company has very low reliance on long term debts and uses its non-fund-based limits for its working capital purposes. Therefore, gearing (debt-equity) remained low at 0.22 times as on March 31, 2024 (0.27 times as on March 31, 2023). Moreover, the debt protection metrics is marked comfortable with interest coverage ratio of 4.31 times in FY24 and debt service coverage ratio at 3.24 times in FY24.

Acuité expects the financial risk profile of the company shall continue to remain moderate on account of steady cash accruals with no debt-funded capex plans.

Weaknesses

Moderately intensive nature of working capital operations

The company's working capital operations are moderately intensive in nature marked by high GCA of 140 days as on March 31, 2024 (138 days as on March 31, 2023). These are driven by high debtor days which stood at 105 days as on March 31, 2024 (116 days as on March 31, 2023). The company provides an average credit period of 90-120 days to its customers. The company backs all purchases with counter sales resulting in low price risk and inventory levels. The creditor days stood at 115 days as on March 31, 2024 (100 days as on March 31, 2023) as the company receives an average credit period of 90-110 days from the suppliers.

Acuité expects the working capital operations of the company may continue to remain moderately intensive on account of higher debtor's days associated with the nature of business.

Geographical concentration risk

ACEPL is exposed to geographical concentration risk, as the company is generating approximately 55 to 60 percent of the revenue from African nations like Egypt, Nigeria, Tanzania, D'Ivoire, Kenya, Ghana, Senegal, Uganda, etc. which are prone to economical risk and any imbalances in the economy of these countries shall affect the operations of ACEPL. Further, nearly 25 to 30 percent of the revenue comes from the Middle East countries like Saudi Arabia, UAE, Lebanon, Turkey, etc. However, the company is expanding its geographical reach by exploring newer markets and the company also secures the trades with credit insurance like ECGC in India and Coface in UAE in order to mitigate the counterparty risks. Further, since major revenues are derived through global sales, any changes in the global trading policies shall affect the operations of the company.

Rating Sensitivities

- Growing scale of operations with sustainable margins
- Susceptibility to change in global trade policies
- Reduction in the geographical concentration
- Significant elongation in the working capital cycle affecting financial & liquidity profile

Liquidity Position

Strong

The company's liquidity position is strong marked by estimated net cash accruals of Rs. 14.41 Cr. in FY25 as against long term debt repayment of Rs. 1.29 Cr. over the same period. Going forward, the company is estimated to generate net cash accruals in the range of Rs. 15-16 Cr. from FY26 to FY27 to repay its maturing debt obligation of Rs. 0.36 Cr. for the same period. The company's reliance on working capital limits is moderate, marked by utilisation of non-fund based limits at ~40 percent for the last six months ended March 2025. The current ratio of the company stood at 1.12 times as on March 31, 2024. Further, the unencumbered cash and bank balances of the company stood at Rs. 17.09 Cr. as on December 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	566.72	384.91
PAT	Rs. Cr.	10.86	7.32
PAT Margin	(%)	1.92	1.90
Total Debt/Tangible Net Worth	Times	0.22	0.27
PBDIT/Interest	Times	4.31	4.74

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jan 2024	Letter of Credit	Short Term	12.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	8.00	ACUITE A3+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
02 Nov 2022	Letter of Credit	Short Term	12.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	8.00	ACUITE A3+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.25	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
Bank of Baroda	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Bank of Baroda	Not avl. / Not appl.	Forward Contracts	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.85	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.15	Simple	ACUITE A2 Upgraded (from ACUITE A3+)

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Akshit Agrawal Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@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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