

Press Release

Suparna Chemicals Limited

December 24, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.26.50 Cr.
Long Term Rating	ACUITE BBB (Withdrawn)
Short Term Rating	ACUITE A3+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs.26.50 Crore bank facilities of Suparna Chemicals Limited (SCL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and the NOC received from the banker.

About the Company

Mumbai based Suparna Chemicals Limited (SCL) was incorporated in 1980, it is an ISO 9001:2015 company engaged in manufacturing of speciality chemicals. The company was founded by Mr. R. N. Mandal. SCL specializes in manufacture of customized concentrates and solvents such as sodium and potassium alkoxides including sodium potassium alloy, potassium metal, potassium superoxide, ketonic resins and specialty plasticizers. Its products find utility in pharma, agrochemical, coating industries, amongst others. SCL operates out of three manufacturing units located in Ambernath and Vapi.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management, established presence in industry**

Incorporated in 1980 by Mr. R.N Mandal, chemical engineer from IIT Kharagpur, SCL initially started its operation with manufacturing of synthetic ketonic resins and later with manufacturing of speciality plasticizers. The day to day operations of SCL are managed by the promoter family led by Dr. Suparna Mandal having experience of over a decade in the speciality chemicals industry. SCL is an approved supplier to Government of India for its specialized product offerings which finds applicability with Indian Defense Services. Along with production of metal alloys, oxides and alkoxides, the company became the indigenous supplier of Self-Contained Self Rescuer apparatus in India. Its products find application in pharma, agrochemical industries amongst others. SCL caters to domestic as well as overseas market, The Company has over the years developed a reputed client base with its customers such Evonik Performance Materials GmbH. With adequate quality assurances and continued customer specified offerings, SCL has been able to cement its position in this industry with strong and long-standing relationship with its customer base in Indian and overseas market.

- **Healthy financial risk profile**

SCL has healthy financial risk profile marked by healthy tangible net worth, gearing and debt protection metrics.

The net worth of the company stood at Rs.65.00 Cr. as on March 31, 2020 (Provisional). The company follows a conservative financial policy as reflected in its Gearing (Debt to Equity) of 0.03 times as on March 31, 2020 (Provisional) as against 0.11 times as on March 31, 2019. The debt profile comprises working capital facilities availed by the company. The TOL/TNW (Total Outside Liabilities to Total Net Worth) stood healthy at 0.21

times as on March 31, 2020 (Provisional).

The debt protection metrics remain healthy and have remained stable on Y-O-Y basis. The ICR (Interest Coverage Ratio) stood at 23.33 times as on March 31, 2020 (Provisional) as against 23.87 times as on March 31, 2019 and the DSCR (Debt Service Coverage Ratio) stood at 23.33 times as on March 31, 2020 (Provisional) as against 17.86 times as on March 31 2019. The NCA/TD (Net Cash Accrual to Total Debt) stood at 4.95 times as on March 31, 2020 (Provisional) as against 1.65 times as on March 31, 2019.

Weaknesses

- **Moderate scale of operations and decline in profitability margins**

The revenue of SCL stood at Rs.73.24 crore in FY2020 (Provisional) as compared to Rs.74.14 crore for FY2019. Despite its long-standing experience and established scale of operations, SCL's scale of operations remains moderate. The operating margins declined to 12.85 percent for FY2020 (Provisional) from 17.99 percent for FY2019. PAT margins nonetheless have improved to 13.51 percent for FY2020 (Provisional) as against 12.60 percent for FY2019.

- **Susceptible to competitive landscape**

SCL finds competition from international players. Many players have emerged in the international and domestic markets having access to attractive consumer-growth markets. These players based in emerging - markets have an advantage of their lower cost base to establish a presence based on price. With the strict focus of the competitors towards lower prices, SCL faces stiff competition from other players limiting the pricing flexibility of the company. Besides the existing players, the emergence of new players and substitutes would add to the intensity of the competition.

Liquidity position: Adequate

The liquidity profile is adequate marked by healthy net cash accruals. The company has generated net cash accruals of Rs.11.18 crore in FY2020 (Provisional) with NIL debt repaying obligations. The company maintains unencumbered cash and cash balances of Rs.0.33 crore as on March 31, 2020 (Provisional). The company also has investments in the form of fixed deposits of Rs.17.94 crore as on March 31, 2020 (Provisional). Its current ratio stood healthy at 4.37 times as on March 31, 2020 (Provisional). SCL's average utilization of its cash credit facility and letter of credit (as a sub-limit of cash credit) for six months ended November, 2020 was less than 10 percent. While average utilization for Non-fund based limits for six months ended November, 2020 was 60 percent. The Company has outstanding debtors of Rs.16.69 crore as on March 31, 2020 (Provisional).

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	73.24	74.14
PAT	Rs. Cr.	9.89	9.34
PAT Margin	(%)	13.51	12.60
Total Debt/Tangible Net Worth	Times	0.03	0.11
PBDIT/Interest	Times	23.33	23.87

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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. Cr.)	Ratings/Outlook
28-Jan-2020	Cash Credit	Long Term	12.00	ACUITE BBB / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	14.00	ACUITE A3+ (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	12.00	ACUITE BBB (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Corporate Ratings Tel: 022 – 49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022 – 49294011 rating.desk@acuite.in
Aditya Sahu Analyst – Rating Operations Tel: 022 – 49294055 aditya.sahu@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,492 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité, Acuité's rating scale and its definitions.