

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Rating Withdrawn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| Long Term Rating | ACUITE BBB (Withdrawn) |
| Short Term Rating | ACUITE A3+ (Withdrawn) |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

Acuite has withdrawn the long term rating of '**ACUITE BBB' (read as ACUITE triple B)** and the short term rating of '**ACUITE A3+' (read as ACUITE A three plus)** on the Rs.26.50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 Acuite'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The rating is being withdrawn on account of request received from the company and the NOC received from the banker.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

Acuite 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 as 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

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About Acuité Ratings & Research:

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