

Press Release

Heetu Chemicals and Alkalies Limited

August 23, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.50	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	9.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	17.50	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.17.50 crore bank facilities of Heetu Chemicals and Alkalies Limited (HCAL).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Company

Incorporated in 1990, HCAL is a Mumbai-based company promoted by Mr. Vivek Shah, Mrs. Sujata Shah, Mr. Bharat Bhosale, Mr. Subhash Dhuru, Mr. Rutwik Shah and Ms. Virushi Shah. The company is engaged in trading of industrial chemicals, oil field chemicals and specialty chemicals which finds application in oil and gas, agrochemicals, textiles and water treatment industries, among others. The company derives 95 percent of its revenue from trading and remaining 5 percent is derived from manufacturing of few formulations and chemicals.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of HCAL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced management and established track record of operations

The company has an established track record of more than two decades of operations in chemical industry. The key promoter, Mr. Vivek Shah has been associated with this industry for almost three decades. The directors of the company, Mr. Vivek Shah, Mrs. Sujata Shah, Mr. Bharat Bhosale, Mr. Subhash Dhuru, Mr. Rutwik Shah and Ms. Virushi Shah possess experience of two decades in this industry. Acuite believes that HCAL will benefit from experienced

management and long track record which will help the firm to maintain long standing relations with reputed customer such as Oil and Gas Corporation of India, Rallis India Limited, West Coast Paper Mills Private Limited, Municipal Corporation of Greater Mumbai among others and suppliers such as Gujarat Chemicals and Alkalies Limited and Dow Chemicals Company among others.

>Moderate financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth, gearing and debt protection metrics. The tangible net worth stood at Rs.18.25 crore as on 31 March, 2022 (Prov) as against Rs.15.23 crore as on 31 March, 2021 and Rs.13.86 crore as on 31 March, 2020. The total debt of the company stood at Rs.43.86 crore includes Rs.36.54 crore of short term debt, Rs.7.11 crore of unsecured loans and Rs.0.21 crores of long term debt as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 2.40 times as on 31 March, 2022 (Prov) as compared to 1.46 times as on 31 March, 2021 and 0.66 times as on 31 March, 2020. Interest Coverage Ratio stood at 3.14 times for FY2022 (Prov) as against 3.49 times for FY2021 and 4.25 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.56 times in FY2022 (Prov) as against 2.65 times in FY2021 and 3.38 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.76 times as on 31 March, 2022 as against 2.73 times on 31 March, 2021 and 2.80 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.07 times for FY2022 (Prov).

Weaknesses

>Intensive working capital management

The working capital management of the company is intensive marked by GCA days of 100 days in FY2022 (Prov) as against 117 days in FY2021 and 101 days in FY2020. Also, the debtor days stood at 87 days in FY2022 (Prov) as against 97 days in FY2021 and 89 days in FY2020. The creditor days stood at 32 days in FY2022 (Prov) as against 43 days in FY2021 and 66 days in FY2020. However, the inventory days remain around 09 days in FY 2022, FY 2021 and FY2020.

>High competition

The company operates in a highly competitive industry with the presence of a large number of organized as well as unorganized players in India.

Rating Sensitivities

- Growth in revenue and the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals. The company has sufficient net cash accruals in the range of Rs.1.57 – 3.25 Crore from FY 2020-2022. The working capital management of the company is intensive marked by GCA days of 100 days in FY2022 (Prov) as against 117 days in FY2021 and 101 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.2.24 crore as on March 31, 2022 (Prov). The current ratio stands at 1.39 times as on March 31, 2022 (Prov). The average bank limit utilization for the past 07 months ending July 2022 for fund-based facility is approx.~ 76.03 percent.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	300.08	165.26
PAT	Rs. Cr.	3.02	1.37
PAT Margin	(%)	1.01	0.83
Total Debt/Tangible Net Worth	Times	2.40	1.46
PBDIT/Interest	Times	3.14	3.49

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

Infomerics Ratings, vide its press release dated July 16, 2022, has mentioned the rating of HCAL as 'BBB-/A3' as on July 16, 2022

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Aug 2021	Secured Overdraft	Long Term	0.50	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.41	ACUITE BB+ (Withdrawn)
	Proposed Bank Facility	Short Term	9.00	ACUITE A4+ (Assigned)
	Standby Line of Credit	Long Term	8.00	ACUITE BB+ Stable (Reaffirmed)
28 Feb 2020	Working Capital Term Loan	Long Term	0.41	ACUITE BB+ Stable (Assigned)
	Standby Line of Credit	Long Term	15.00	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	2.09	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
RBL Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4+ Reaffirmed & Withdrawn
RBL Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB+ Reaffirmed & Withdrawn
RBL Bank	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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