

## Press Release

Diach Chemicals and Pigments Private Limited

24 March 2020



**Rating Reaffirmed & Assigned**

<b>Total Bank Facilities Rated*</b>	Rs. 40.00 Cr. (Enhanced from Rs . 20.00 crores)
<b>Long Term Rating</b>	ACUITE BB/Stable (Reaffirmed & Assigned)
<b>Short Term Rating`</b>	ACUITE A4+ (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed and assigned a long term rating of '**ACUITE BB**' (**read as ACUITE double BB**) and short term rating '**ACUITE A4+**' (**read as ACUITE A4 plus**) of to the above mentioned bank facilities of Daich Chemical and Pigments Private Ltd (DCPPL). The outlook is '**Stable**'.

Diach Chemicals & Pigments Private Limited (DCPPL) was incorporated in 2004 by Mr Dipak Ghosh, which commenced its commercial operation in 2006. DCPPL is engaged into manufacturing of lead based products such as red lead, refined lead and lead alloys. Currently, the company is managed by Mr. Dipak Ghosh and his son Mr. Daich Ghosh.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### **Experienced management and strong association with reputed player in batter segment**

DCPPL is promoted by Mr Dipak Ghosh who possess more than three decades of experience in the lead manufacturing business through other proprietorship concern. DCPPL was incorporated in 2004 and commenced its operation in 2006, since then company is manufacturing various kinds of lead based products such as red lead, refined lead and Calcium Alloys, etc. In 2009, company became a supplier of Exide Industries Limited (EIL), which is an established and strong player in battery segment. DCPPL has strong association with EIL as company is one of its leading suppliers.

#### Weaknesses

##### **Modest financial risk profile**

The modest financial risk profile of the DCPPL is marked by its modest net worth, moderate gearing ratio and modest debt protection metrics. The net worth stood at Rs. 11.81 Cr. as on 31st March'2019 as compared to Rs 10.87 Cr. in the previous year. The gearing of the company stood at 2.03 times as on 31st March 2019 as against 1.49 times as on 31st March, 2018 driven by high utilization of working capital limits during year end. DCPPL had reported a decline in interest coverage ratio to 1.67times in as on 31st March, 2019 as against 1.99 times as on 31st March, 2018 because of rise in financial cost. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.09 times in FY2019 as compared to 0.18 times in the previous year. Going forward, Acuité believes the financial risk profile to remain similar over the medium term in the absence of debt funded capex plan.

### Low profitability

The company's EBITDA margin had declined to 1.86 percent in FY19 from 2.13 percent in FY18 due to increase in power & fuel charges. In addition, due to volatile nature of lead price company's profitability margin has been always low. Acuite believes EBITDA margin will continue to remain at similar level because of volatility nature in commodity prices and high dependence on EIL.

### High customer concentration

DCPPL has high customer concentration as almost 90 percent of its revenue comes from EIL hence company has weak negotiation power. In medium term, company's dependence on EIL will continue to remain high.

### Rating Sensitivity

- Substantial improvement in the scale of operation along with improvement in profitability margins.
- Improvement in working capital cycle.

### Material Covenant

None

### Liquidity Profile

The company's liquidity profile has been stretched as reflected from high utilization of fund-based limits, which stood at around 97 percent during last 6 months ended December 2019. Moreover there was dip in Net cash accrual to Rs.2.16 crores during FY19 as against Rs. 2.90 crores in previous year. GCA days the company had increased to 48 days during FY19 as against 36 days in FY18. Acuite expects the liquidity position of the company will remain stretched in medium year on account of elongated working capital cycle.

### Outlook: Stable

Acuité believes the outlook on DCPPL rated facilities will remain 'Stable' over the medium term backed by its long track record of operations. The outlook may be revised to 'Positive' if the company is able to improvement its profitability margins along with improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the liquidity profile further deteriorates.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	358.62	356.94
PAT	Rs. Cr.	0.94	1.93
PAT Margin	(%)	0.26	0.54
Total Debt/Tangible Net Worth	Times	2.03	1.49
PBDIT/Interest	Times	1.67	1.44

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

DCPPL is listed under the 'Non Co-operation by the issuer' category by ICRA due to inadequate information.

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
06- March-2019	Cash Credit	Long term	20.00	ACUITE BB / Stable (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.60	ACUITE BB/Stable (Reaffirmed)
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+ (Assigned)
Proposed PCFC	Not Applicable	Not Applicable	Not Applicable	7.40	ACUITE A4+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE A4+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

### Contacts

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### About Acuité Ratings & Research:

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