



Press Release
Accord Chemical Corporation
October 16, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	25.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	208.50	-	ACUITE A4+ Assigned
Bank Loan Ratings	47.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	300.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.72.50 Cr bank facilities of Accord Chemical Corporation (ACC). The outlook is '**Stable**'.

Furthermore, Acuite has also assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.227.50 Cr bank facilities of Accord Chemical Corporation (ACC). The outlook is '**Stable**'.

Rationale for rating

The rating takes into account the group's established operations in the trading industry along with well experienced promoters who have more than two decades of experience in trading industry. The rating also factors in improvement in scale of operations of the group reflected by increase in revenue to Rs. 1339.45 Cr. in FY2023 (Provisional) as compared to Rs.1302.43 Cr. in FY2022 and Rs. 697.61 Cr. in FY2021. The increase in revenue is on account of a high demand for its traded products in the domestic market, especially during the COVID-19 period. The group majorly imports its products (70%) and distributes them across India. However, despite the improvement in revenues, the profitability of the group deteriorated significantly marked by decline in operating profit margin to 1.21 percent in FY2023 (Provisional) as against 2.05 percent in FY2022 and 2.91 percent in FY2021. The decline is majorly on account of foreign exchange losses and increase in other expenses. Furthermore, the Profit After Tax of the group also declined to Rs.6.27 Cr. in FY2023 (Provisional) against Rs.23.79 Cr. in FY2022 and Rs.16.45 Cr. in FY2021. The rating is, further constrained by the cyclicity associated with chemical industry and risks associated towards foreign currency fluctuations.

About Company

Incorporated in 2009, Accord Chemical Corporation (ACC), a Mumbai-based partnership firm, is engaged in trading, indenting, distribution, imports, and exports of various petrochemicals. It is led by its partners, Mr. Jinesh Shah and Mrs. Meghna Shah, who have more than two decades of experience in the petrochemical industry. Jinesh Shah used to work at Tresent Organics as a business manager for around 10 to 12 years before launching his

own firm.

About the Group

Incorporated in 2014, Accord Chemcorp Private Limited has been established with a vision to cater the fast-growing needs of the Chemical Industry in terms of providing the customers innovative solutions with dedicated and quality services. The company understands demands of various chemicals with the multiple industrial applications and give the upper edge to source and procure the products at competitive price and deliver the same to the customers to maintain cost effectiveness.

Standalone (Unsupported) Rating

None

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated business and financial risk profile of Accord Chemical Corporation (ACC) and Accord Chemcorp Private Limited (ACPL) together referred to as Accord Group. The consolidation is mainly on account of the similar line of business and common management.

Key Rating Drivers

Strengths

Established operations with improvement in revenues and experience management

The group has established a presence since 2009 and is engaged in trading, indenting, distribution, imports, and exports of various petrochemicals. Accord Group is promoted by Mr. Jinesh Shah and Mrs. Meghna Shah. The promoters have over two decades of experience in the trading business. The group benefits from its experienced management, which is reflected through its longstanding relationship with its customers and suppliers. This has ensured a steady flow of imports and exports of chemicals in a timely manner. The experience of promoters has helped the scaling its operations reflected by increase in revenue to Rs. 1339.45 Cr. in FY2023 (Provisional) as compared to Rs.1302.43 Cr. in FY2022 and Rs. 697.61 Cr. in FY2021. The increase in revenue is on account of a high demand for its traded products in the domestic market, especially during the COVID-19 period. The group majorly imports its products (70%) and distributes them across India. Acuite believes that the established operations and experience management will continue to benefit the operations of the group over the medium term.

Above average financial risk profile

The financial risk profile of the group is above average marked by moderate network, moderate gearing and comfortable debt protection metrics. The net worth of the group stood at Rs.95.10 Cr. as of March 2023 (Provisional) as against Rs. 75.84 Cr. as of March 31, 2022. The network of the group also includes unsecured loans from promoters to the tune of Rs.16.59 Cr. as on March 31, 2023 (Provisional) which is treated as quasi-equity. The gearing of the group deteriorated yet remained moderate at 1.50 times as on March 31, 2023 (Provisional) as against 0.93 times as on March 31, 2022 majorly on account of increase in short term borrowings. The total outside liabilities/tangible net worth (TOL/TNW) stood at 3.06 times as of March 31, 2023 (Provisional) as against 3.99 times as of March 31, 2022. The debt protection matrices of the company remain comfortable marked by Interest Coverage Ratio (ICR) at 3.24 times and Risk Coverage Ratio of 7.15 times for FY2023 (Provisional). However, the debt to EBITDA of the group deteriorated significantly to 10.50 times for FY2023 (Provisional) compared against 2.34 times same period last year majorly on account of significant deterioration in EBITDA of the group. Acuite believes that the financial risk profile of the group will remain at similar levels over the medium term in the absence of any major debt funded capex plan.

Weaknesses

Significant deterioration in profitability The group majorly operates into trading, indenting and distribution of various petrochemicals.

The company majorly imports its products and distributes in the domestic market. Despite the improvement in revenues, the profitability of the group deteriorated significantly marked by decline in operating profit margin to 0.88 percent in FY2023 (Provisional) as against 2.05 percent in FY2022 and 2.91 percent in FY2021. The decline is majorly on account of foreign exchange losses and increase in other expenses. Furthermore, the Profit After Tax of the group also declined to Rs.6.27 Cr. in FY2023 (Provisional) against Rs.23.00 Cr. in FY2022 and Rs.16.45 Cr. in FY2021. Acuité believes that the improvement in the profitability margins of the company will remain a key rating sensitivity over the medium term.

Susceptibility of margins to volatility in raw material prices and foreign currency fluctuations

The group's profitability margins have remained susceptible to fluctuations in the prices of traded chemicals and foreign exchange risks as ~70 percent of products are imported from international countries. The group has not also incurred forex losses in FY2023 which significantly impacted their profitability. Acuité has also taken cognizance of the necessary measures taken by the group to reduce and cover forex fluctuations through forward cover.

Highly competitive and fragmented industry

The petrochemical trading industry is a highly fragmented industry and presence of large number of organised and unorganised players has created high competition in the industry. The group faces competition from large players as well as numerous players in the unorganised segment. Also, on account of its trading nature of business, the entry barriers are low thereby leading to a highly competitive environment for the group.

Rating Sensitivities

- Improvement in profitability of the group
- Deterioration in financial risk profile of the group

All Covenants

None

Liquidity Position Adequate

The liquidity position of the group is marked by adequate cash accruals of Rs.8.50 Cr. as against no long-term debt repayment over the same period. The current ratio stood comfortable at 1.26 times in FY23 (Provisional). The cash and bank balances stood at Rs.20.75 cr. in FY23 (Provisional). The Non-fund-based limit utilisation stood at 75.59 per cent and the fund-based limit average utilisation stands at 80 percent over the six months ended Mar 2023. The operations of the group also remain efficient marked by moderate Gross Current Assets (GCA) of 68 days for FY2023 (Provisional) as compared to 81 days as on FY2022. Acuité believes that liquidity of the group is expected to remain adequate on account of adequate cash accruals against no matured repayment obligations.

Outlook: Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook and benefit over the medium term owing to diversification of the revenue streams. The outlook may be revised to 'Positive' in case the group records higher than anticipated improvement in its revenue and profitability while maintaining prudent working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profitability and financial risk profile of the group.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1339.45	1302.43
PAT	Rs. Cr.	6.27	23.00
PAT Margin	(%)	0.47	1.77
Total Debt/Tangible Net Worth	Times	1.50	0.93
PBDIT/Interest	Times	2.09	5.24

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

Infomerics vide its press release dated 7th Aug 2023, had downgraded the company to BB+/Negative/A4+; Issuer Not Cooperating.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <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 Aug 2023	Letter of Credit	Short Term	30.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Long Term	25.00	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	17.50	ACUITE A4+ (Reaffirmed)
21 Dec 2022	Letter of Credit	Long Term	30.00	ACUITE BB+ (Issuer not co-operating*)
	Letter of Credit	Long Term	42.50	ACUITE BB+ (Issuer not co-operating*)
01 Oct 2021	Letter of Credit	Long Term	42.50	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Long Term	30.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB+ Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB+ Stable Assigned
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BB+ Stable Assigned
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.50	ACUITE A4+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A4+ Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A4+ Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A4+ Assigned
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A4+ Assigned
Bandhan Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.50	ACUITE A4+ Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A4+ Assigned
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	37.00	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4+ Assigned
Indusind Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BB+ Stable

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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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