



**Press Release**  
**Prasol Chemicals Limited (erstwhile Prasol Chemicals Private Limited)**  
**August 11, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	210.79	ACUITE A+   Stable   Reaffirmed   Positive to Stable	-
Bank Loan Ratings	218.50	-	ACUITE A1+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	429.29	-	-

**Rating Rationale**

Acuité has reaffirmed its long-term rating of '**ACUITE A+**' (read as **ACUITE A plus**) on Rs.210.79 crore bank facilities and short term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on Rs.218.50 crore bank facilities of Prasol Chemicals Limited (PCL). The outlook is revised from 'Positive' to '**Stable**'.

**Rationale for reaffirmation and revision in outlook**

The outlook has been revised from 'Positive' to 'Stable' on account of deterioration in PCL's profitability thereby impacting its cash accruals and higher-than-expected increase in the debt profile of the company. The revenue of the company stood at Rs. 931.40 Cr. in FY2023 as against Rs. 896.81 Cr. in FY2022. The operating profit margin has declined to 9.48% in FY2023 as against 15.60% in FY2022. The overall gearing remained stable at 0.61 times as on March 31, 2023 as against 0.62 times as on March 31, 2022. The profits generated during the year were accredited to reserves, however, the increase in total debt during the year partially set off the accruals accredited, resulting in stagnant gearing levels. The rating, continues to derive comfort from long track record of operations and experienced management and overall healthy financial risk profile of PCL.

**About the Company**

Prasol Chemicals Limited (PCL) was established in the year 1992 and was engaged into manufacturing of Unsaturated Polyester Resins (used mainly in making fiber plastics and filled plastic products, including sanitary-ware, tanks, pipes, etc.) having plant in Vapi, Gujarat. In the year 1996, PCL closed its Vapi plant as it was not profitable and started new business of manufacturing Phosphorus Pentoxide, Polyphosphoric Acid and Food Grade Phosphoric Acid. The company is managed by Mr. Nishith Shah and Mr. Gaurang Parikh, along with 6 other directors. The company is currently engaged in manufacturing of acetone and phosphorous based specialty chemical. The company has done forward integration into these specialty chemicals for the products which are used in 30+ verticals including home and personal care, pharmaceuticals, agrochemicals, lubricants and coating amongst others.

**Analytical Approach**

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

## Key Rating Drivers

### Strengths

#### Long track record of operations and experienced management

PCL, incorporated in 1992, is a Navi Mumbai-based company engaged in the manufacture of acetone and phosphorous-based compounds used in solvent-based paints, pesticides and engine oils. PCL is promoted by Mr. Nishith Shah (Metallurgical Engineer) and Mr. B. K. Gupta who possesses over three decades of overall experience with two decades of experience in the organic chemicals industry. The company has benefited from its experienced management and has become one of the leading manufacturers of diacetone alcohol and phosphorus pentasulphide in India. The company is a Government of India certified Two Star Export House Company with the global distribution network spread across 45+ countries across Asia, North America, and the European Union as on December 31, 2021. The company has a research and development centre which helps undertake collaborative product development with the customers leading customized products in line with customer expectations and consumer preferences, whilst simultaneously ensuring shorter lead-times.

Acuité believes that PCL will continue to benefit from its established position in the market and experienced management.

#### Low Customer Concentration Risk

The product mix of the company is 53% acetone-based specialty chemical, 27% phosphorous based specialty chemical and 20% trading of other specialty chemicals. The revenue of the company stood at Rs. 931.40 Cr. in FY2023 as against Rs. 896.81 Cr. in FY2022. The company has a diversified customer base across 30+ verticals including home and personal care, pharmaceuticals, agrochemicals, lubricants and coating amongst others. Also, revenue from top 10 customers is around 20-23 per cent which mitigates the customer concentration risk.

#### Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by moderate net worth, debt-protection metrics and low gearing level. The tangible net worth of the company stood at Rs. 307.08 Cr. as on March 31, 2023 as against Rs.261.19 Cr. as on March 31, 2022. The company follows conservative leverage policy as reflected in gearing level of 0.61 times as on March 31, 2023 as against 0.62 times as on March 31, 2022. The total debt of the company outstanding as on March 31, 2023 of Rs.185.99 Cr. comprises of long term debt of Rs.89.06 Cr. and working capital borrowings of Rs. 96.93 Cr. The debt protection metrics of the company are moderate as debt service coverage ratio (DSCR) stood at 2.16 times in FY2023 as against 2.32 times in FY2022. The interest coverage ratio (ICR) stood at 7.44 times in FY2023 as against 11.70 times in FY2022. The company has on-going capex towards debottlenecking and addition to capacity of existing facilities which includes capacity addition of DETC and PPS product from current capacity of 4000 MTPA to 8000 MTPA.. The total cost of project is around Rs. 68.75 Cr. and is expected to be completed by the end of FY2024

Acuité believes that PCL's financial risk profile will remain healthy in medium term.

### Weaknesses

#### Working Capital Intensive Nature of Operations

The operations of the company are working capital intensive in nature, however, have recorded marginal improvement during the year marked by gross current asset (GCA) days of 131 days for FY2023 as against 145 days for FY2022. The inventory days stood at 57 days for FY2023 as against 66 days for FY2022. The debtor stood at 66 days for FY2023 against 71 days for FY2022. The creditor days stood at 90 days for FY2023 as against 130 days for FY2022. The average utilization of the fund based facilities of the company remained moderate at 80.56% percent in last six months ended July 2023.

#### Volatility in raw material prices and forex rates

PCL's major raw materials are acetone and yellow phosphorus, which is a derivative of crude

oil and the prices of which are highly volatile. Thus, PCL's margins are susceptible to adverse movements in raw material prices. The operating profit margin has declined to 9.48% in FY2023 as against 15.60% in FY2022. Operating profit margins were higher in FY2022 on account of increase in realisation of products in FY2022, which was an exceptional year and the margins have been corrected in the current FY2023. The profit after tax (PAT) margin stood at 5.22% in FY2023 as against 9.21% in FY2022. The company tries to mitigate this risk by buying the raw materials in bulk.. PCL imports around 66 percent of its total raw material requirement while export sales account for around 27 percent of its total revenue which provides a natural hedge to some extent.

### **Rating Sensitivities**

- Significant improvement in scale of operations along with profitability.
- Stretch in working capital cycle and deterioration in liquidity position.
- Any large and unexpected debt funded capital expenditure plan leading to weakening of financial risk profile

### **Material covenants**

None

### **Liquidity Position Adequate**

The liquidity position of the company is adequate marked by adequate net cash accrual as against the maturing debt obligation. The company generated adequate net cash accrual of Rs.67.74 Cr. during FY2023 against maturing debt obligation of Rs. 24.88 Cr. Going ahead, the company is expected to generate net cash accrual in the range of Rs. 68.14 Cr. to Rs. 77.12 Cr during FY2024-25 against maturing debt obligation in the range of Rs. 27.30 to Rs. 27.90 Cr. The average utilization of the fund based facilities of the company remained moderate at 80.56% percent in last six months ended July 2023. The unencumbered cash and bank balance stood at Rs. 21.24 Cr. as on March 31, 2023 and the current ratio stood at 1.12 times as on March 31, 2023.

### **Outlook: Stable**

Acuité believes that PCPL will maintain a 'Stable' outlook and continue to benefit over the medium term from its established market position and extensive industry experience of its promoters. The outlook may be revised to 'Positive' in case of sustainable improvement in the scale of operations, while maintaining profitability and a healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' if PCPL's revenue and profitability decline or if its financial risk profile sharply deteriorates or working capital cycle elongates significantly.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	931.40	896.81
PAT	Rs. Cr.	48.59	82.61
PAT Margin	(%)	5.22	9.21
Total Debt/Tangible Net Worth	Times	0.61	0.62
PBDIT/Interest	Times	7.44	11.70

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 May 2022	Cash Credit	Long Term	15.00	ACUITE A+   Positive (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A+   Positive (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE A+   Positive (Reaffirmed)
	Cash Credit	Long Term	0.78	ACUITE A+   Positive (Assigned)
	Cash Credit	Long Term	0.30	ACUITE A+   Positive (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	55.72	ACUITE A+   Positive (Reaffirmed)
	Term Loan	Long Term	0.65	ACUITE A+   Positive (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE A+   Positive (Reaffirmed)
	Term Loan	Long Term	8.50	ACUITE A+   Positive (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+   Positive (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE A+   Positive (Reaffirmed)
	Term Loan	Long Term	7.50	ACUITE A+   Positive (Reaffirmed)
	Term Loan	Long Term	6.18	ACUITE A+   Positive (Reaffirmed)
	Term Loan	Long Term	40.00	ACUITE A+   Positive (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A+   Positive (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A1+ (Assigned)
	Term Loan	Long Term	5.40	ACUITE A+   Positive (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	13.00	ACUITE A1+ (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	4.35	ACUITE A+   Positive (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	20.80	ACUITE A+   Positive (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A1+ (Assigned)
	Cash Credit	Long Term	0.01	ACUITE A+   Positive (Assigned)
		Long		

	Term Loan	Term	15.00	ACUITE A+   Positive (Assigned)
	Cash Credit	Long Term	4.00	ACUITE A+   Positive (Assigned)
	Bank Guarantee	Short Term	0.70	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1+ (Assigned)
	Term Loan	Long Term	5.40	ACUITE A+   Positive (Reaffirmed)
04 Mar 2021	Cash Credit	Long Term	10.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	9.64	ACUITE A+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.37	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	7.20	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	0.31	ACUITE A+ (Withdrawn)
	Term Loan	Long Term	7.80	ACUITE A+   Stable (Assigned)
	Term Loan	Long Term	0.99	ACUITE A+   Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE A+   Stable (Assigned)
	Bank Guarantee	Short Term	0.70	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	11.90	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	9.02	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	3.88	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+   Stable (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	0.30	ACUITE A+   Stable (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	36.50	ACUITE A+   Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	27.20	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	0.20	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	1.08	ACUITE A+ (Withdrawn)



	Letter of Credit	Short Term	30.00	ACUITE A1+ (Reaffirmed)
20 Feb 2020	Letter of Credit	Short Term	9.50	ACUITE A1+ (Upgraded from ACUITE A1)
	Bank Guarantee	Short Term	0.70	ACUITE A1+ (Upgraded from ACUITE A1)
	Cash Credit	Long Term	0.30	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Term Loan	Long Term	19.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Term Loan	Long Term	6.47	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Term Loan	Long Term	1.08	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Cash Credit	Long Term	4.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Letter of Credit	Short Term	14.50	ACUITE A1+ (Upgraded from ACUITE A1)
	Term Loan	Long Term	15.39	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Cash Credit	Long Term	8.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Term Loan	Long Term	32.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Cash Credit	Long Term	23.60	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Cash Credit	Long Term	20.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Standby Line of Credit	Short Term	30.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Term Loan	Long Term	0.31	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Term Loan	Long Term	16.15	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Cash Credit	Long Term	20.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Term Loan	Long Term	9.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Letter of Credit	Short Term	15.00	ACUITE A1+ (Upgraded from ACUITE A1)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	56.50	ACUITE A+   Stable   Reaffirmed   Positive to Stable
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A+   Stable   Reaffirmed   Positive to Stable
DBS Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A+   Stable   Reaffirmed   Positive to Stable
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A+   Stable   Reaffirmed   Positive to Stable
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	36.00	ACUITE A1+   Reaffirmed
DBS Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.50	ACUITE A1+   Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	70.00	ACUITE A1+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1+   Reaffirmed
IDBI Bank Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	23.24	ACUITE A+   Stable   Reaffirmed   Positive to Stable
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.50	ACUITE A+   Stable   Reaffirmed   Positive to Stable
								ACUITE



HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.25	A+   Stable   Reaffirmed   Positive to Stable
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.80	ACUITE A+   Stable   Reaffirmed   Positive to Stable
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE A+   Stable   Reaffirmed   Positive to Stable
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.24	ACUITE A+   Stable   Reaffirmed   Positive to Stable
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.60	ACUITE A+   Stable   Reaffirmed   Positive to Stable
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.76	ACUITE A+   Stable   Reaffirmed   Positive to Stable
Citicorp Finance India Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.40	ACUITE A+   Stable   Reaffirmed   Positive to Stable

\*The non-fund based and fund based limits have interchangeability.

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### About Acuité Ratings & Research

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