Press Release
VISWAAT CHEMICALS LIMITED
December 29, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITE A- | Stable | Assigned	-
Bank Loan Ratings	163.00	ACUITE A- | Stable | Reaffirmed	-
Bank Loan Ratings	67.00	-	ACUITE A1 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	305.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITE A-' (read as ACUITE A minus)** and short-term rating of **ACUITE A1 (read as ACUITE A one)** on Rs.230.00 crore bank facilities of Viswaat Chemicals Limited (VCL). The outlook is **'Stable'**.

Also, Acuité has assigned its long-term rating of **'ACUITE A-' (read as ACUITE A minus)** on Rs.75.00 crore bank facilities of Viswaat Chemicals Limited (VCL). The outlook is **'Stable'**.

Rationale for rating reaffirmation

The rating reaffirmation factors in the established market position of the company, reputed clientele and extensive experience of the promoters of more than three decades in the chemical industry. The rating also draws comfort from the healthy financial risk profile with gearing below unity in FY23&FY22 and adequate liquidity position of the company reflected by its moderate reliance on bank limits. However, the rating is constrained by susceptibility of the profitability to volatility in the prices of raw materials and intense competition marked by fragmented nature of the chemical industry.

Viswaat Chemicals Limited has recorded a 11.21% YoY growth in the operating performance of the company to Rs. 739.84 Cr in FY23 as against Rs. 665.25 Cr in FY22. However, despite improvement in revenues, the company's profitability declined in FY23 as reflected in the EBITDA margins which stood at 7.12% in FY23 as against 9.88% in FY22. However, till October 2024, the company witnessed an improvement as reflected in the EBITDA margins which stood at 7.98% and net sales at Rs. 442.47Cr. However, the rating is constrained by the moderately intensive working capital nature of operations.

About the Company

Incorporated in 1996, Viswaat Chemicals Limited (VCL) is a Maharashtra based company engaged in manufacturing of chemicals. The company majorly specialized in surfactants among other chemicals. Chemicals manufactured by the company find its use in around 30 different industries. The company has two manufacturing facilities in Maharashtra and Gujarat. The manufacturing plant in Maharashtra is located at Ambernath with an annual manufacturing capacity of 39,500 MT. The company also has another manufacturing plant in

Dahej, Gujarat with a manufacturing capacity of 51,000 MT. VCL is promoted by Mr. B. Vivek Shetty and Mr. Vinesh Shetty.

Unsupported Rating
Not Applicable

Analytical Approach

Acuite has taken a standalone approach to arrive at the rating of VCL.

Key Rating Drivers

Strengths

Extensive experience of the promoters in the chemical industry and established track record of operations of the company
VCL was established in 1996, thus having an operational track record of over two decades in the chemical industry. The company is promoted by Mr. B. Vivek Shetty and Mr. Vinesh Shetty who have more than two decades of experience in the industry. The operations of the group are managed by its promoters and a qualified and experienced senior management team who are ably supported by a strong line of mid-level managers. The extensive experience of the promoters and management has helped the group to establish long and healthy relationships with reputed customers and suppliers over the years. The promoters' industry experience and established brand presence has helped the company to establish longstanding relationships with reputed clientele.

Acuité believes the company will continue to benefit from its established presence in the industry, and the promoter's demonstrated ability to sustain a healthy level of operations across various cycles.

Improvement in revenues; however profitability is impacted due to increase in raw material prices
Viswaat Chemicals Limited has recorded a 11.21% YoY growth in the operating performance of the company to Rs. 739.84 Cr in FY23 as against Rs. 665.25 Cr in FY22. However, despite improvement in revenues, the company's profitability declined in FY23 as reflected in the EBITDA margins which stood at 7.12% in FY23 as against 9.88% in FY22. The PAT margins of the company also declined in FY23 to 3.07% as against 5.44% in FY22. The margins of the company were impacted due to increase in raw material prices. However, till October 2024, the company witnessed an improvement as reflected in the EBITDA margins which stood at 7.98% and net sales at Rs. 442.47Cr.

The company earns revenue from 4 segments namely speciality chemicals, surfactants, leather and others. The company earns 91.93% from sale of surfactants, 4.24% from sale of textile chemicals, 3.47% from sale of speciality chemicals and 0.36% from sale of scrap materials. The company earlier had a leather chemicals portfolio which it sold to Stahl International, Netherlands in FY16. After the sale of the leather chemical portfolio, the company continued manufactuing for them until FY22. The company also earns through exports which contribute to around 23% of the total sales amounting to Rs. 173.71 Cr in FY23. Some of the key export markets of the company include – Bangladesh, Central America, China, Colombia, Egypt, Ethopia, Finland, Indonesia, Italy, Germany, Kenya, Korea, Middle East, Sri Lanka, Switzerland, Nepal, Netherlands, Nigeria, Pakistan, Singapore, Spain, Taiwan, Thailand, Turkey and USA. 60% of the exports are in Euro and 40% in USD. The company also imports 10% of the raw materials from Malaysia and Thailand which are in USD and hence there exists partial natural hedging. The company also enters into forward contracts for hedging the forex risk.

Acuité believes that the business risk profile of the company is likely to continue to improve on the back of reputed clientele and healthy demand expected over the near to medium term.

Increased Capacity Utilisation

The company has 2 surfactant manufacturing plants at Ambernath and Dahej. The company has an installed capacity of 55,000 MT at the Dahej plant in FY23 as against 39,500 MT in FY22 and 22,900 MT in FY23 as against 39,500 MT capacity at the Ambernath plant. The installed capacity for Ambernath plant declined in FY23 on account of sale of leather chemical portfolio sold to Stoller International, Netherlands. Despite the declined installed capacity, the company's capacity utilisation increased for both the plants and stood at 84.78% in FY23 as against 58.7% at the Ambernath plant and 71.53% in FY23 as against 55.70% in FY22 at the Dahej plant.

The company is undergoing an expansion at the Dahej plant which started in April 2023 and is expected to complete by September 2024. The expansion will double the capacity at the Dahej plant. The company will incur Rs. 103 Cr of capex towards capacity expansion. This expansion is funded through internal accruals of Rs. 28.50 Cr and term loan of Rs. 75 Cr from banks. Out of the internal accruals of Rs. 28.50 Cr to be utilized towards capex activities, around Rs. 16 Cr has already been incurred towards capex in FY23. The term loans of Rs. 75 Cr has been sanctioned from Axis Bank and HDFC Bank but has not yet been disbursed.

Acuité believes that the increased capacity at the Dahej plant is likely to help in boosting the operations of the company.

Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by moderate networth, low gearing and comfortable debt protection metrics. The tangible networth of the company stood Rs. 144.66 Cr in FY23 as against Rs. 122.68 Cr in FY22 on account of accretion of profits. The debt outstanding of the company in FY23 comprises of long-term debt of Rs. 50.73 Cr and Rs. 59.35 Cr of short-term debt. The gearing of the company remained below unity and stood at Rs. 0.76 times in FY23 as against 0.89 times in FY22. However, the gearing of the company is expected to increase on account of a major debt funded capex for capacity expansion at Dahej plant. The TOL/TNW stood at Rs. 1.37 times in FY23 as against 1.52 times in FY22. The debt protection metrics remained comfortable with debt service coverage ratio of Rs. 2.02 times and interest service coverage ratio stood at Rs. 4.80 times in FY23.

Acuite believes that the financial risk profile is likely to remain healthy with no major capex plans in the near to medium term.

Weaknesses

Moderately intensive working capital operations

The working capital operations are moderately intensive in nature marked by GCA days of 108 days in FY23 as against 106 days in FY22. The inventory days of the company stood at 21 days in FY23 as against 18 days in FY22. Raw materials of the company include various types of chemicals like Ethylene Oxide and fatty acids. Majority of the raw materials are procured domestically where the creditors offered differs for each supplier. Ethylene Oxide is procured from Reliance Industries on advance payment basis. Other suppliers on an average offer a credit period of 35 days. The company offers a credit period of 58 days to its debtors. The creditor days of the company stood at 35 days in FY23 as against 37 days in FY22. The average bank limit utilisation in FY23 by the company stood at 47.35% for fund-based facilities and 52.60% for non -fund based facilities.

Acuite believes that the working capital operations of the company will remain moderate over the medium term and will continue to remain a key rating sensitivity

Susceptibility of operating performance to input price volatility and increasing competition

Ethylene oxide is the major raw material for the company. The prices of the raw material is highly volatile in nature and any adverse movement in the price of raw material may impact the profitability of the company. Further, the company operates in a highly fragmented chemical industry with the presence of large number of players in the organised as well as unorganised sector. This limits the bargaining power of VCL's with customers leading to intense margin pressures. However, the longstanding customer relationships moderates this risk to an extent

Rating Sensitivities

- Improvement in the scale of operations while maintaining its profitability margin
- Any deterioration or stretch in the working capital cycle

All Covenants

None

Liquidity Position

Adequate

The liquidity position of the company remained adequate on account of adequate net cash accruals against its repayment obligations. The net cash accruals of the company stood at Rs. 34.56 Cr in FY23 as against Rs. 11.52 Cr of repayment obligations in FY23. The net cash accruals is expected to be in the range of Rs. 45.72 Cr – Rs. 68.24 Cr from FY24-FY26 and are sufficient to repay its maturing debt debt obligation during the same tenure. Furthermore, the average fund-based utilisation by the company remained moderate at 47.35% for fund-based facilities and 52.60% for non -fund based facilities in FY23. The same is supported by moderate working capital nature of operations marked by GCA days of 108 days in FY23 compared against 106 days in FY22. Also, the company maintains a cash balance of Rs. 17.54 Cr in FY23.

Acuite believes that liquidity position of the company is likely to remain aequate over the medium term with steady cash accruals and moderate reliance on bank borrowings.

Outlook: Stable

Acuité believes that the VCL will continue to maintain a 'Stable' outlook over near to medium term owing to its established track record and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected debt and working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	739.84	665.25
PAT	Rs. Cr.	22.74	36.17
PAT Margin	(%)	3.07	5.44
Total Debt/Tangible Net Worth	Times	0.76	0.89
PBDIT/Interest	Times	4.80	5.85

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
• Manufacturing Entities: 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, 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
13 Oct 2022	Letter of Credit	Short Term	19.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	12.35	ACUITE A- | Stable (Assigned)
	Term Loan	Long Term	6.10	ACUITE A- | Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	45.00	ACUITE A- | Stable (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A1 (Assigned)
	Proposed Bank Facility	Long Term	0.26	ACUITE A- | Stable (Assigned)
	Cash Credit	Long Term	14.50	ACUITE A- | Stable (Assigned)
	Term Loan	Long Term	8.84	ACUITE A- | Stable (Assigned)
	Term Loan	Long Term	11.81	ACUITE A- | Stable (Assigned)
	Cash Credit	Long Term	27.00	ACUITE A- | Stable (Assigned)
	Letter of Credit	Short Term	24.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	15.86	ACUITE A- | Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- | Stable (Assigned)
	Letter of Credit	Short Term	8.50	ACUITE A1 (Assigned)
	Term Loan	Long Term	1.28	ACUITE A- | 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
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A1 | Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A- | Stable | Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A- | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.50	ACUITE A- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	27.00	ACUITE A- | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A1 | Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.50	ACUITE A1 | Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A1 | Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A1 | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.11	ACUITE A- | Stable | Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.48	ACUITE A- | Stable | Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.84	ACUITE A- | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.43	ACUITE A- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.12	ACUITE A- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.52	ACUITE A- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	30.00	ACUITE A- | Stable | Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.00	ACUITE A- | Stable | Assigned

Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE A- | Stable | Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022–49294017 mohit.jain@acuite.in Khushi Shah Analyst-Rating Operations Tel: 022-49294065 khushi.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.