



Press Release
VISWAAT CHEMICALS LIMITED
January 16, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	238.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	67.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	305.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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. 305.00 crore bank facilities of Viswaat Chemicals Limited (VCL). The outlook is ‘**Stable**’.

Rationale for rating reaffirmation

The rating reaffirmation considers the group’s stable operating and financial performance. The group’s operating income grew to Rs. 766.15 crore in FY2024 as against Rs. 739.84 crore in FY2023. The operating margins stood improved at 8.03 per cent in FY2024 as against 7.12 per cent in FY2023. The improvement in operating margin is on account of increase in production of surfactants and specialty chemicals by 7.30 per cent as well as increase in sales by 7.43 per cent in FY24. In H1FY2024, the group has reported revenue of Rs. 452.83 crore. The rating reaffirmation also 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. Further, the gearing levels stood below unity in FY24 & FY23 depicting its healthy financial risk profile. 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.

Going ahead, the group’s ability to improve its operating profitability along with its profitability margins whilst improving its working capital operations over the medium term will remain a key rating monitorable.

About the Company

Incorporated in 1996, Viswaat Chemicals Limited (VCL) is a Maharashtra based company engaged in manufacturing of chemicals. The company majorly specializes in surfactants, specialty chemicals, textile chemicals among other chemicals. The company has two manufacturing facilities in Maharashtra and Gujarat. The manufacturing plant in Maharashtra is located at Ambarnath 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.

About the Group

Viswaat Organics Private Limited (VOPL) was incorporated on 30th June 2022. VOPL is a wholly owned subsidiary company of VCL. VOPL has not started any operations as on date and is expected to commence its business from March 2025 onwards. The company has also bought land in Wangani, Raigad to set up its chemical manufacturing plant. VOPL will be engaged in the manufacturing and trading of chemical and chemical products.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated view of the business and financial risk profiles of Viswaat Chemicals Limited (VCL) and Viswaat Organics Private Limited (VOPL) to arrive at the rating. The consolidation is in the view of a common line of business, operational synergies and common management.

Key Rating Drivers

Strengths

Extensive experience of the promoters in the chemical industry and established track record of operations of the company

VCL was incorporated 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 Revenue and profitability

The revenue of the group increased and stood at Rs. 766.15 crore in FY24 compared to revenue of Rs. 739.84 crore in FY23. The group recorded a Y-o-Y growth of 3.56 % in its operating performance. VCL generates its revenue from four main products: Surfactants, Textiles, Specialty Chemicals, and Job Work. Surfactants alone account for 91.25%, Specialty Chemicals for 3.87%, Textiles for 4.13%, and Job Work and others for 0.75%. The revenue of the group increased in FY24 on account of an increase in the orders from export markets for surfactants. VCL has reported a revenue of Rs. 452.83 crores in H1FY2025. The groups exports contribute to around 30% of the total sales of FY24. Some of the key export markets of the company include – Bangladesh, Central America, China, Colombia, Egypt, Ethiopia, Finland, Indonesia, Italy, Germany, Kenya, Korea, Middle East, Sri Lanka, Switzerland, Nepal, Netherlands among others. The operating profit margin of the group improved and stood at 8.03 percent in FY24 compared against 7.12 percent in FY23. The PAT margin of the group stood higher at 3.84 percent in FY24 compared to 3.07 percent in FY23. In H1FY2025 group achieved operating profits of around 7 percent.

Capex plans

VCL has undergone capacity expansion at both of its plants. A capacity of 72,000 MT at Dahej and Ambernath plant locations with an investment of Rs. 103.50 crore and the same is funded from internal accrual and bank borrowings ~ 70% of total cost. In this capex a new plant for GMP and FDA certified products is also being set up to cater to the high margin sectors. The operations for the same are likely to commence from March 2025. The group's ability to continuously improve its scale of operations and profitability while augmenting capacity would remain a key rating monitorable.

Healthy financial risk profile

The group has a healthy financial risk profile marked by moderate net worth, low gearing and comfortable debt protection metrics. The group's tangible net worth stood marginally improved at Rs. 173.56 crores as of March 31, 2024, against Rs. 144.66 crore as of March 31, 2023, on account of accretion of profits to reserves. The group's gearing stood similarly at 0.76 times as on March 31, 2024. The group's total debt as on March 31, 2024 stood at Rs. 131.21 crore as compared to Rs. 110.08 crores as on March 31, 2023; comprising of long-term debt of Rs. 51.15 crore, short-term debt of Rs. 65.27 crore and maturing debt obligations of Rs. 14.79 crores. TOL/TNW stood at 1.22 times as on March 31, 2024. The interest coverage ratio of the group stood improved at 6.10 times in FY24 against 4.80 times in FY23. DSCR stood at 2.14 times in FY2024 against 2.02 times in FY2023.

Acuité believes that the ability of the group to maintain its healthy financial risk profile on the back of debt funded capex over the medium term will remain a key rating sensitivity factor.

Weaknesses

Moderate working capital operations

The group has moderate working capital operations with average gross current asset (GCA) days standing over 106 days during FY22 to FY24. GCA days stood similarly at 104 days in FY2024 against 108 days in FY2023 due to decrease in inventory days. Inventory days stood at 17 days in FY2024 against 21 days in FY2023. Raw materials consist of various types of chemicals like Ethylene Oxide and fatty acids. The debtor days stood similarly at 63 days for FY24 against 61 days for FY23. The average credit period allowed to its customers is around 60-90 days. The creditor days of the group stood at 30 days for FY24 as against 35 days for FY23. The average credit period allowed by the suppliers is around 0 to 30 days. The average bank limit utilization for 09 months period ended September 2024 stood at 74.64% for the fund-based limits and 43.40% for the non fund-based limits.

Acuité believes that the ability of the group to maintain its working capital cycle at comfortable level over the medium term will remain a key rating sensitivity factor.

Susceptibility of profitability 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
- Any deterioration or stretch in the working capital cycle
- Deterioration in financial risk profile on the back of higher-than expected debt funded capex

Liquidity Position

Adequate

The liquidity position of the group remained adequate on account of adequate net cash accruals against its repayment obligations. The net cash accruals of the company stood at Rs. 41.37 crore in FY24 as against Rs. 14.79 crore of repayment obligations for the same period. The net cash accruals are expected to be in the range of Rs. 50.44 Cr – Rs. 56.36 crore in FY25-FY26. Furthermore, the average bank limit utilisation for 09 months period ended September 2024 stood at 74.64 per cent for fund-based limits and 43.40 per cent for non-fund based limits. Also, the company maintains a cash balance of Rs. 3.62 crore in FY24.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	766.15	739.84
PAT	Rs. Cr.	29.46	22.74
PAT Margin	(%)	3.84	3.07
Total Debt/Tangible Net Worth	Times	0.76	0.76
PBDIT/Interest	Times	6.10	4.80

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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. Acuité'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
29 Dec 2023	Term Loan	Long Term	9.43	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	27.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.12	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	11.52	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	13.11	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	30.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	45.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.48	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	8.84	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	14.50	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	24.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	19.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	12.50	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	8.50	ACUITE A1 (Reaffirmed)
13 Oct 2022	Cash Credit	Long Term	45.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.28	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	6.10	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.84	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	14.50	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	12.35	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	27.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	11.81	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	15.86	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.26	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	19.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	8.50	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	24.00	ACUITE A1 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A1 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.50	Simple	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	27.00	Simple	ACUITE A- Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A- Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.00	Simple	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.50	Simple	ACUITE A1 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.50	Simple	ACUITE A1 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	19.00	Simple	ACUITE A1 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.77	Simple	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	19 Oct 2023	Not avl. / Not appl.	04 Feb 2031	40.00	Simple	ACUITE A- Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	10 May 2024	Not avl. / Not appl.	29 Dec 2030	30.00	Simple	ACUITE A- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	29 Jan 2024	Not avl. / Not appl.	01 Jan 2032	5.00	Simple	ACUITE A- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	29 Aug 2019	Not avl. / Not appl.	31 Oct 2026	2.38	Simple	ACUITE A- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	22 Dec 2021	Not avl. / Not appl.	31 Dec 2027	6.45	Simple	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	06 Jun 2019	Not avl. / Not appl.	08 Oct 2026	5.52	Simple	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	20 May 2017	Not avl. / Not appl.	07 Aug 2026	5.38	Simple	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	18 Jan 2021	Not avl. / Not appl.	01 Oct 2026	6.00	Simple	ACUITE A- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No	Company Names
1	Viswaat Chemicals Limited (VCL)
2	Viswaat Organics Private Limited (VOPL)

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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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