

Press Release

Spectrum Ethers Private Limited

January 11, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	106.00	-	ACUITE A2 Assigned
Total Outstanding Quantum (Rs. Cr)	160.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of "**ACUITE BBB+(read as ACUITE triple B plus)**" and short term rating of "**ACUITE A2(read as ACUI TE A two)**" on the Rs 160 crore bank facilities of Spectrum Ethers Private Limited (SEPL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the extensive experience of the management along with established track record of operations for nearly 30 years in the manufacturing of agrochemicals. Further, the rating takes into consideration the augmentation in business risk profile with an increasing revenue from last three years along with increasing profit margins. The rating factors in the geographic and product diversification along with healthy financial risk profile. However, the above mentioned strengths are partly offset by working capital intensive nature of operations and company's exposure to agro-climatic fluctuations.

About the Company

Spectrum Ethers Private Limited, incorporated in 1993. The company is engaged in manufacturing of Agrochemicals. The Present Directors of the company are Dr. Milind Shankarrao Kolhe, Shri. Jugalkishore Ganpatlalji Agrawal, Shri. Arun Gangadhar Daware and Shri. Chandrashekhar Vitthalrao Joshi. The Registered office the company is in Nashik. The company is currently operating with an installed capacity of 6300 MT.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SEPL to arrive at this rating.

Key Rating Drivers

Strengths

Established track record along with experienced management

SEPL is incorporated in 1993 and has an established track record of operation of nearly 30 years in manufacturing of agrochemicals. The Directors of the company Dr. Milind Shankarrao Kolhe, Shri. Jugalkishore Ganpatlalji Agrawal, Shri. Arun Gangadhar Daware and Shri. Chandrashekhar Vitthalrao Joshi has vast experience in the aforementioned line of

business. The experience of the management has helped the company to maintain a longstanding relationship with its customers and suppliers. The customers of the company includes PI Industries Ltd, Biostadt India Ltd, Syngenta India Ltd to name a few. Further, the company has recently increased the installed capacity in FY 2022 to 6300 MT from 5900 MT in FY 2021 and the utilization has also increased to 72% in FY 2022 from 67% in the previous year. Acuite believes that SEPL will continue to benefit from its experienced management and a longstanding relationship with reputed clientele.

Augmentation in business risk profile

The revenue of company has registered a growth Y-o-Y. The company has reported a revenue of Rs.365.90 Crore in FY2022 as against Rs.289.12 Crore in FY2021 and Rs 235.47 Crore in FY 2020. Further, the operating margins and PAT margins of the company has also increased Y-o-Y. The EBITDA margins of the company stood at 17.05% in FY 2022 as against 12.90% in FY 2021 and 8.61% in FY 2020. The revenue from exports has increased in current year to 27.1% of total sales from 11.3% in previous year.

Acuite believes that revenue of the company may increase going forward with an increase in exports and addition of a new product line.

Healthy Financial Risk profile

The financial risk profile of the company is healthy marked by healthy network, above average gearing and coverage indicators. The network of the company stood at Rs.112.58 Crore in FY2022 as against Rs.68.70 Crore in FY2021 on account of retention of profit in the business. The total debt of the company in FY22 stood at Rs.14.97 resulting into low gearing ratio of 0.13 times in FY 2022 as against 0.02 times in FY2021. Further, the coverage indicators of the company remained above average over the years with debt-service-coverage-ratio stood at 59.05 times in FY 2022 as against 12.81 times in FY 2021 wherein interest-coverage-ratio stood at 77.09 times in FY 2022 as against 19.94 times in FY 2021.

The company is doing the capex of Rs 100 Crore of which Rs 20 crore are already incurred as on date.

Acuite believes that financial risk profile of the company may moderate going forward with a debt-funded of 30% of total capex plan of Rs 100 crores.

Weaknesses

Working capital intensive operations

The working capital operations of the company are intensive marked by gross current assets(GCA) days of 183 days in FY2022 against 177 days in FY2021. There is an increase in GCA days on an account of increased in inventory days to 82 days in FY 2022 as against 47 days in FY 2021. The increase in inventory is majorly due to the increase demand anticipated by the company for Q1FY 2023.. The debtor days of the company remained in a range of 80-90 days in last three years with 89 days in FY 2022, 84 days in FY 2021 and 86 days in FY 2020. Further, the creditor days of the company is at 147 days in FY2022 as against 159 days in FY2021.

Acuite believes that working capital operations of the company may continue to remain intensive considering the nature of business.

Risks associated with agro-climatic fluctuations in the agro-chemicals sector

The company is a part of the seasonal agro-chemicals sector, which is closely correlated to the volume of agriculture in the nation and, in turn, directly dependent on the monsoons. The potential need for various agro-chemicals, such as pesticides, insecticides etc. may be directly impacted by insufficient or untimely monsoons, which may have an effect on the production of some crops.

Rating Sensitivities

- □Improvement in revenue and profitability going forward.
- □Elongation in working capital cycle resulting in stretch of liquidity.

Material covenants

None.

Liquidity Position

Strong

The company's liquidity position stood strong marked by net cash accruals of Rs. 49.76 crores in FY 2022 against almost no debt repayment obligations during the same tenure. Further, the cash accrual is expected to remain in the range of Rs. 50 to Rs. 54 Cr. against repayment of Rs. 2.59 Cr. and 6.76 Cr. respectively in FY2023 and FY2024. The company's current ratio for FY2022 is 1.74 times as compared to 1.46 times in FY2021. The company's available unencumbered cash balance is Rs. 10.67 crores as on 31st March, 2022. The company also has investments of Rs. 26.56 crore in FY22, out of which 10–12 crore are encumbered. The company's average fund based bank limit utilization remains low at 10% and average non fund based facilities utilization stood moderate at 79% for last 16 months ended November 2022.

Outlook: Stable

Acuite believes that SEPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, adequate financial risk profile and healthy revenue visibility due to new in-house structure set up by them. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower than anticipated cash accruals, most likely due to significant debt-funded capex or any significant withdrawal of capital, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	365.90	289.12
PAT	Rs. Cr.	46.69	22.45
PAT Margin	(%)	12.76	7.77
Total Debt/Tangible Net Worth	Times	0.13	0.02
PBDIT/Interest	Times	77.09	19.94

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

None

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.

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
DBS Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB+ Stable Assigned
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB+ Stable Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Assigned
CITI Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A2 Assigned
DBS Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	44.00	ACUITE A2 Assigned
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2 Assigned
CITI Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE BBB+ Stable Assigned
CITI Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB+ Stable Assigned

S no	Bank Name	Type of Facility	Amount	Tenure	Facility	Remark
1	DBS Bank India Limited	Multiline Working Capital	50.00	LT/ST	FB/NFB	Main Limit
		OD/CC/WCDL/FCDL	(6.00)	LT	FB	Sub-Limit
		LC	(50.00)	ST	NFB	Sub-Limit
		EBP/PSF/PL/PSF	(6.00)	ST	FB	Sub-Limit
		BG	(1.00)	LT/ST	NFB	Sub-Limit
2	Yes Bank Limited	Working Capital	50.00	LT/ST	FB/NFB	Main Limit
		CC/OD/WCDL	(10.00)	LT	FB	Sub-Limit
		LC	(40.00)			Sub-Limit
		CC/WCDL	(9.00)	LT	FB	Sub-Limit of LC
		BG	(5.00)	LT/ST	NFB	Sub-Limit of LC
3	Citi Bank	Working Capital Facilities	30.00	LT/ST	FB/NFB	Main Limit
		CC/WCDL	(8.00)	LT	FB	Sub-Limit
		LC	(30.00)	ST	NFB	Sub-Limit
		BD/PSC/PSF	(30.00)	ST	FB	Sub-Limit
		BG	(5.00)	LT/ST	NFB	Sub-Limit
4	Citi Bank	Term Loan-1	20.00	LT	FB	Main Limit
5	Citi Bank	Term Loan- 2	10.00	LT	FB	Main Limit

	Total		160.00			
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FB to NFB 100% Interchangeable

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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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