

Press Release
Spectrum Ethers Private Limited
April 05, 2024



Rating Downgraded and Reaffirmed

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

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) from '**Acuite BBB+**' (read as **ACUITE t riple B plus**) and reaffirmed the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs 160 crore bank facilities of Spectrum Ethers Private Limited (SEPL). The outlook is '**Stable**'.

Rationale for Rating

The rating downgrade factors in the moderation of the company's financial risk profile in FY2023 and 9MFY2024 along with expected decline in the revenues and profitability in FY2024 led by heavy dumping from China leading to decline in the sales realisation of its key product Profenofous Tech. The rating continues to factor in working capital intensive nature of operations and company's exposure to agro-climatic fluctuations. The ratings however, draws comfort from the healthy Financial risk profile and liquidity position despite moderation in FY23 and 9MFY2024. The rating also draws comfort from establish and wide distribution network, long standing relationship with its customers and suppliers.

About the Company

Incorporated in 1993, Spectrum Ethers Private Limited is engaged in manufacturing of agrochemicals and is based out of Nashik, Maharashtra. The key products of the company are Profenofous Tech, Propiconazole Tech, Turbofous Tech etc and the aggregate installed capacity of 6300 MT. The directors of the company are Dr. Milind Shankarrao Kolhe, Shri. Jugalkishore Ganpatlalji Agrawal, Shri. Arun Gangadhar Daware and Shri. Chandrashekhar Vitthalrao Joshi.

Unsupported Rating

Not Applicable

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

Incorporated in 1993, SEPL 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. The experience of the management has helped the company to maintain a longstanding relationship with its customers and suppliers. Acuite believes that SEPL will continue to benefit from its experienced management and a longstanding relationship with reputed clientele.

Healthy financial risk profile despite moderation

The networth of the company remains healthy and increased from Rs.112.58 Crore in FY22 to Rs.145.26 Crore in FY23 on account of accretion to the reserves. The total debt of the company as on March 31, 2023 stood at Rs. 30.20 Cr consisting Rs. 24.4 crore working capital limits and Rs. 5.80 Cr of term debt. The capital structure of the company remains comfortable as reflected by low gearing ratio of 0.21 times in FY23 against 0.13 times in FY22. The financial risk profile of the company continued to remain healthy in FY2023 despite moderation as marked by DSCR and ICR of 14.42 times and 31.97 times against 59.05 times and 77.09 times in FY22 respectively.

Acuite believes that the financial risk profile is expected to further moderate in FY24 and FY25 with the expected decline in the EBDITA though it will continue to remain comfortable.

Weaknesses

Revenue Growth Accompanied by Declining Profitability

SEPL registered revenue of Rs.402.97 Cr in FY23 against Rs.365.90 Crore in FY22 marking a growth of 10 %. Profenofous Tech and Ethion are two major revenue generating products of the company which has derived the revenue growth in FY2023. The growth driven by increased sales volumes majorly emanating from the export market. The company has achieved Rs. 213.90 Cr till December 2023 and expected to close the year at Rs. 285 Crore marking a decline of 29% compared to the previous fiscal. The decline is majorly on account of decline in the realisation for the company led by dumping from China. In the current fiscal the average prices of Profenous tech have decline by 35 % as compared to FY23.

Working capital intensive operations

The working capital operations of the company is marked by gross current assets days of 172 days in FY23 against 183 days in FY22. There is decrease in GCA days on an account of decreased inventory days. The debtor days of the company remained in a range of 80-100 days in last three years with 98 days in FY 2022, 89 days in FY 2022 and 84 days in FY 2021. Further, the creditor days of the company is at 105 days in FY23 against 147 days in FY22. 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

- Substantial improvement in revenue and profitability while maintaining its credit profile.
- Any further elongation in working capital cycle impacting its liquidity.

Liquidity Position

Adequate

The company's liquidity position stood adequate marked by net cash accruals of Rs. 49.76 crores in FY2023 against Rs.1.07 Cr of 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. Besides, the company has free cash and bank balance (including FDs) of Rs. 37.14 Cr as on March 31, 2023. Also, the company has buffer in the working capital limits.

Outlook: Stable

Acuité 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, healthy financial risk profile. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues along with increase in profitability margins from the current levels while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company generates lower than anticipated cash accruals, or any significant debt-funded capex thereby impacting its financial risk profile and its liquidity.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	402.97	365.90
PAT	Rs. Cr.	32.67	46.69
PAT Margin	(%)	8.11	12.76
Total Debt/Tangible Net Worth	Times	0.21	0.13
PBDIT/Interest	Times	31.97	77.09

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, 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Jan 2023	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	22.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	44.00	ACUITE A2 (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BBB+ 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
DBS Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BBB Stable Downgraded (from ACUITE BBB+)
CITI Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BBB Stable Downgraded (from ACUITE BBB+)
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB Stable Downgraded (from ACUITE BBB+)
CITI Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE A2 Reaffirmed
DBS Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.00	ACUITE A2 Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.19	ACUITE BBB Stable Downgraded (from ACUITE BBB+)
CITI Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	Simple	13.81	ACUITE BBB Stable Downgraded (from ACUITE BBB+)
CITI Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	Simple	10.00	ACUITE BBB Stable Downgraded (from ACUITE BBB+)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Anush Shetty Associate-Rating Operations Tel: 022-49294065 anush.shetty@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.

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