

Press Release

Calpro Specialities Private Limited

February 17, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	83.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	30.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	113.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BBB- (read as ACUITE triple B minus)** and short term rating of **ACUITE A3 (read as ACUITE A three)** on the Rs.113 Crore bank facilities of Calpro Specialities Private Limited (CSPL). The outlook is 'Stable'.

Rational for rating

The rating assigned reflects the extensive experience of the management along with established track record of operations for more than 30 years in this field of business. Further, the rating takes into consideration the growth in revenue and profitability. The rating factors in the geographic and product diversification along with moderate financial risk profile. However, the above mentioned strengths are partly off-set by working capital intensive nature of operations and susceptibility of operating margins to volatility in prices. Further, it also considers the higher reliance on fund based working capital limits with an average utilization of more than 90% for 12 months ended November 2022.

About the Company

Calpro Specialities Private Limited (CSPL) was incorporated in 1989 and Located at Naraina, New Delhi. Is engaged in manufacturing and trading of food preservatives. The company was promoted by Mr. Arun Kumar Agarwal, having three decades of experience in the preservatives industry. CSPL started operations from Sohna plant manufacturing Calcium Propionate and importing bakery preservatives from International players for distribution in India. The company also started manufacturing dairy products at Kosi Kalan (U.P) in 2019. Apart from preservatives, other dairy items like ghee, butter, lactose and caseinate are sold in India.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of CALPRO SPECIALITIES PRIVATE LIMITED.

Key Rating Drivers

Strengths

Established track record along with experienced management

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CSPL is incorporated in 1989 and has an established track record of operations of more than 30 years in this field of business. The directors of the company Mr.Arun Kumar, Mr.Ayush Agarwal and Mr.Amit Agarwal has vast experience in the aforementioned line of business. The experience of the management has helped the company to maintain long standing relationships with its reputed customers like Hindustan Unilever Limited, Nestle India Limited, ITC Limited, Britannia Industries Limited etc. The company has established relationship with suppliers like Volac international Limited of UK, Cargil food ingredients of Indonesia, JRS Silvateam Food Ingredients of Italy etc. The company has recorded repeated orders from existing client and also offer new products to the existing clientele to continue healthy relationships with reputed clientele. Acuite' believes that extensive experience of the promoters and established track record of operations along with longstanding relationship with reputed clientele may continue to benefit CSPL over the medium term.

Moderate financial Risk Profile

The financial Risk profile of the company is moderate marked by net-worth of Rs.36.59 Crores in FY22 against Rs.25.34 Crores in FY21. The total debt of the company stood at Rs.91.15 Crore in FY22 against Rs.82.01 Crore in FY21 there is an increase in a long term debt of Rs.10 Crores which is GECL Loan. Further, the company is having moderate credit metrics such as interest coverage ratio of the company stood at 3.85 times in FY22 against 2.84 times in FY21 along with Debt service coverage ratio stood at 3.18 times in FY 22 against 2.34 times in FY21. The company follows a moderately aggressive financial risk policy reflected through debt equity ratio of the company stood at 2.49 times in FY 22 against 3.24 times in FY21. Further, the TOL/TNW stood at 3.44 times in FY22 against 4.43 times in FY21 and Debt/EBITDA stood at 3.93 times in FY22 against 5.23 times in FY21. Acuite' believes that financial risk profile of CSPL may continue to remain moderate with no major debt-funded capex plan in medium term.

Augmentation in business profile

The revenue of the company has registered a growth Y-O-Y. The company has reported a revenue of Rs.300.32 Crores in FY22 against Rs.244.81 Crores in FY21. Further, the EBITDA Margins of the company has improved from past year at 7.70% in FY22 against 6.38% in FY21 on an account of shortages in the supply chain lead to high prices along with healthy orders registered at the end of the year, which has resulted into increase in the margins. Additionally, the PAT margins of the company stood at 3.75% in FY22 against 2.46% in FY21. However, the 60-70 percent of the total revenue constitutes from distribution and remaining is from manufacturing. Further, the capacity utilization remains at 25 percent on an average for FY 22.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company are intensive marked by GCA days at 145 days in FY22 against 153 days in FY21. However, the inventory days of the company stood at 74 days in FY 22 against 79 days in FY 21 which is usually maintained by company in this range only. However, it consists inventory for both type of business such as for distribution (according to order book) and manufacturing business. Further the debtor days of the company stood at 55 days in FY22 against 56 days in FY21. On the other hand, the creditor days of the company stood at 22 days in FY22 against 31 days in FY 21. Acuite' believes that working capital operations of company may continue to remain intensive considering the nature of business.

Susceptibility of operating margins to volatility in prices

The prices of raw material are prone to fluctuations and are also as it is inherently linked to international demand and supply scenario, leads to fluctuation in operating margins. However, to mitigate this risk company passes on hike in input prices to customers at periodic intervals.

Rating Sensitivities

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

Material covenants

None.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The net cash accruals of the company stood at Rs.13.11 Crore in FY 2022 against Rs.3.03 Crore of maturing debt obligations during the same tenure. Going forward, the company is expected to generate net cash accruals in the range of Rs.10 Crore to Rs.12 Crore in medium term against debt repayment obligations in the range of Rs.5 crore to Rs.6 crore during the same period. The company's average bank utilisation of the fund-based and the non-fund-based limits was 91.17% and 85.81 %, respectively for the last 12 months ending November 2022.

Outlook: Stable

Acuité believes that CSPL 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.	300.32	244.81
PAT	Rs. Cr.	11.25	6.03
PAT Margin	(%)	3.75	2.46
Total Debt/Tangible Net Worth	Times	2.49	3.24
PBDIT/Interest	Times	3.85	2.84

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

CSPL marked issuer non cooperating by Care at CARE BLR CARE BB/A4/Stable Downgraded & Indicative.

Any other information

Not Applicable.

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, 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:
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
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Buyers Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.50	ACUITE A3 Assigned
ICICI Bank Ltd	Not Applicable	Buyers Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3 Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB- Stable Assigned
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.03	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.03	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.36	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.58	ACUITE BBB- Stable Assigned

State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.20	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.73	BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	5.07	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB- Stable Assigned

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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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