



Press Release
Calpro Specialities Private Limited
March 20, 2024
Rating Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---------------------|--------------------------------------|---------------------------|
| Bank Loan Ratings | 84.00 | ACUITE BBB- Stable Reaffirmed | - |
| Bank Loan Ratings | 29.00 | - | ACUITE A3 Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 113.00 | - | - |

Rating Rationale

Acuite has reaffirmed 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 reaffirmed reflects the extensive experience of the management along with established track record of operations for more than 3 decades in the preservatives industry. The rating factors in the geographic and product diversification along with moderate financial risk profile. The ratings however take note of decline in the revenues and profitability in FY2023. Going forward, in FY2024, the company's revenues are expected to grow at ~8-10%. The ratings also consider the working capital intensive nature of operations and susceptibility of the 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 85% for 12 months ended December 2023.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profile of CALPRO SPECIALITIES PRIVATE LIMITED to arrive at this rating.

Key Rating Drivers

Strengths

Established track record along with experienced management

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 Press Release CALPRO SPECIALITIES PRIVATE LIMITED Rating Reaffirmed 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, Cargil food ingredients, JRS Silvateam Food Ingredients among others. 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

he financial Risk profile of the company remains moderate marked by networth of Rs. 41.57 Cr. in FY2023 against Rs.36.59 Cr. in FY2022. The total debt of the company stood at Rs.109.25 Cr. in FY2023 increased from Rs.91.15 Cr. in FY2022. With the moderation in the profitability, the company's credit metrics moderated as reflected by interest coverage ratio of the company stood at 2.09 times in FY2023 against 3.85 times in FY2022, Debt service coverage ratio stood at 1.84 times in FY2023 against 3.18 times in FY2022. The debt-to-equity profile of the company stood at 2.63 times against 2.49 times in FY2022. Further, the TOL/TNW stood at 3.29 times in FY2023 against 3.44 times in FY2022 and Debt/EBITDA stood at 6.01 times in FY2023 against 3.93 times in FY2022.

Acuite' believes that financial risk profile of CSPL may continue to remain moderate with no major debt-funded capex plan in near term

Weaknesses

Decline in revenue with moderation in the profitability

CSPL reported revenues of Rs. 273.38 Cr. in FY2023 against Rs. 300.32 Cr. in FY2022 marking a decline of 9%. The decline in the revenues was on account of lower revenues from the distribution business that declined from Rs. 208.48 Cr. to Rs.140.30 Cr. in FY2023. The company executed one of order for Isolated Soy Protein, cocoa powder and optimo that resulted in higher revenues in FY2022. The company's manufacturing segment exhibited a 53% growth to Rs.133.10 Cr. in FY2023 from 91.64 in FY2022. With the decline in the scale, the EBITDA margins of the company also declined to 6.27% in FY23 against 7.70% in FY22. In line with the decline in OPBDITA, the PAT margins of the company stood at 1.82% in FY23 against 3.75% in FY22. The company has achieved a revenue of Rs. 200.38 Cr. till December 2023 and expected to achieve revenues of Rs. 290 to 300 Cr. in FY2024.

Working Capital Intensive Operations

The working capital operations of the company are intensive marked by GCA days at 180 days in FY2023 against 145 days in FY2022. However, the inventory days of the company stood at 95 days in FY 23 against 74 days in FY2022 mainly on account of an order delayed in March 2023 resulting in higher inventory. Further, the debtor days of the company stood at 58 days in FY2023 against 55 days in FY2022. On the other hand, the creditor days of the company stood at 8 days in FY2023 against 22 days in FY2022.

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

- Sustainable improvement in revenue and profitability with an improvement in the overall financial risk profile and liquidity.
- Any major debt funded capex or further elongation in the working capital cycle leading to deterioration in the financial risk profile along with the stretch in the liquidity.

Liquidity Position

Adequate

The liquidity profile of the company remains adequate. The net cash accruals of the company stood at Rs. 7.31 Cr. in FY 2023 against Rs. 5.29 Cr. of maturing debt obligations during the same tenure. Besides, the company had free cash and bank balance of Rs. 8.62 Cr. as on March 31, 2023. Going forward, the company is expected to generate annual net cash accruals in the range of Rs. 8 Cr. to Rs. 9.85 Cr. in the next couple of years medium term against debt repayment obligations in the range of Rs. 5 Cr. to Rs. 6 Cr. during the same period and doesn't has any major capex plans during. The company's average bank utilisation of the fund-based and the non-fund-based limits was 85% and 86%, respectively for the last 12 months ending December 2023.

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 along with the adequate financial risk profile. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while improving its credit profile. 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 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 273.38 | 300.32 |
| PAT | Rs. Cr. | 4.99 | 11.25 |
| PAT Margin | (%) | 1.82 | 3.75 |
| Total Debt/Tangible Net Worth | Times | 2.63 | 2.49 |
| PBDIT/Interest | Times | 2.09 | 3.85 |

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>
- 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

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|----------------------------------|------------|-----------------|---------------------------------|
| 17 Feb 2023 | Bank Guarantee (BLR) | Short Term | 0.50 | ACUITE A3 (Assigned) |
| | Bills Discounting | Short Term | 4.00 | ACUITE A3 (Assigned) |
| | Buyers Credit | Short Term | 14.50 | ACUITE A3 (Assigned) |
| | Buyers Credit | Short Term | 7.00 | ACUITE A3 (Assigned) |
| | Cash Credit | Long Term | 15.00 | ACUITE BBB- Stable (Assigned) |
| | Cash Credit | Long Term | 20.00 | ACUITE BBB- Stable (Assigned) |
| | Cash Credit | Long Term | 10.00 | ACUITE BBB- Stable (Assigned) |
| | Cash Credit | Long Term | 13.00 | ACUITE BBB- Stable (Assigned) |
| | Proposed Long Term Bank Facility | Long Term | 4.03 | ACUITE BBB- Stable (Assigned) |
| | Stand By Line of Credit | Short Term | 4.00 | ACUITE A3 (Assigned) |
| | Term Loan | Long Term | 3.20 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 1.73 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 0.03 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 0.36 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 0.58 | ACUITE BBB- Stable (Assigned) |
| | Working Capital Term Loan | Long Term | 5.07 | ACUITE BBB- Stable (Assigned) |
| | Working Capital 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 |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|------------------|-------------------|--|
| Kotak Mahindra Bank | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 0.50 | ACUITE A3 Reaffirmed |
| Kotak Mahindra Bank | Not avl. / Not appl. | Bills Discounting | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 4.00 | ACUITE A3 Reaffirmed |
| Kotak Mahindra Bank | Not avl. / Not appl. | Buyers Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 14.50 | ACUITE A3 Reaffirmed |
| ICICI Bank Ltd | Not avl. / Not appl. | Buyers Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 6.00 | ACUITE A3 Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 20.00 | ACUITE BBB- Stable Reaffirmed |
| CITI Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 10.00 | ACUITE BBB- Stable Reaffirmed |
| ICICI Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 14.00 | ACUITE BBB- Stable Reaffirmed |
| Kotak Mahindra Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 15.00 | ACUITE BBB- Stable Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 9.90 | ACUITE BBB- Stable Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Stand By Line of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 4.00 | ACUITE A3 Reaffirmed |
| Kotak Mahindra Bank | Not avl. / Not appl. | Term Loan | 01 Nov 2016 | Not avl. / Not appl. | 20 Jul 2026 | Simple | 0.03 | ACUITE BBB- Stable Reaffirmed |
| Kotak Mahindra Bank | Not avl. / Not appl. | Term Loan | 01 Nov 2016 | Not avl. / Not appl. | 20 May 2026 | Simple | 0.25 | ACUITE BBB- Stable Reaffirmed |
| Kotak Mahindra Bank | Not avl. / Not appl. | Term Loan | 01 Apr 2021 | Not avl. / Not appl. | 01 May 2026 | Simple | 0.40 | ACUITE BBB- Stable Reaffirmed |

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|---------------------|----------------------|---------------------------|-------------|----------------------|-------------|--------|------|-----------------------------------|
| State Bank of India | Not avl. / Not appl. | Term Loan | 01 Nov 2020 | Not avl. / Not appl. | 01 Mar 2024 | Simple | 0.59 | ACUITE BBB- Stable Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Term Loan | 01 Nov 2020 | Not avl. / Not appl. | 01 Mar 2024 | Simple | 0.33 | ACUITE BBB- Stable Reaffirmed |
| Kotak Mahindra Bank | Not avl. / Not appl. | Working Capital Term Loan | 01 Apr 2021 | Not avl. / Not appl. | 30 May 2026 | Simple | 3.78 | ACUITE BBB- Stable Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Working Capital Term Loan | 01 Nov 2021 | Not avl. / Not appl. | 01 Nov 2027 | Simple | 9.72 | ACUITE BBB- Stable Reaffirmed |

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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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