



Press Release
SALVI CHEMICAL INDUSTRIES LIMITED
 July 07, 2023
 Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.95	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	18.05	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	35.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of 'ACUITE BB- (read as ACUITE double B minus)' and short term rating of 'ACUITE A4' (read as ACUITE A 'four') on the Rs.35.00 Cr facilities of Salvi chemical Industries Limited. (SCIL). The outlook is 'Stable'.

Rating Rationale

The ratings assigned takes into account the experienced management and established track record of operations of the company. The rating also factors the business risk profile of the group reflected by improvement in operating performance. The rating draws comfort from the moderate financial risk profile and adequate liquidity position of SCIL. However, the rating is constrained by working capital intensive operations.

About the Company

Incorporated in 1978, Mumbai based Salvi Chemical Industries Limited (SCIL), is a manufacturer and exporter of chemical and pharmaceutical products including ferrous fumarate, cellulose acetate phthalate etc. The directors of the firm are Mr. Kantilal Narandas Salvi, Mr. Nirav Kantilal Salvi, Mr. Kaushal Kantilal Salvi, Mr. Vijay Jayantilal Thaker, Mr. Vipul Amul Desai and Ms. Shweta Kaushal Salvi.

Analytical Approach

To arrive at the rating, Acuite has considered the standalone business and financial risk profiles of Salvi chemical Industries Limited (SCIL).

Key Rating Drivers

Strengths

Experienced management and established track record of operations

SCIL manufactures and exports chemical and pharmaceutical products including ferrous fumarate, cellulose acetate phathale etc. It has an established operational track record of around four decades. The present directors of the company are Mr. Kantilal Narandas Salvi, Mr. Nirav Kantilal Salvi, Mr. Kaushal Kantilal Salvi, Mr. Vijay Jayantilal Thaker, Mr. Vipul Amul Desai and Ms. Shweta Kaushal Salvi. SCIL reported turnover of Rs.154.23 in FY2023 (prov) as against Rs.129.54 crore. Acuité believes that the company will continue to benefit from the established track record of operations along with experienced management.

Moderate financial risk profile.

Financial risk profile of SCIL is moderate marked by moderate gearing (debt to equity) ratio & above average total outside liabilities to total net worth (TOL/TNW), improving net worth and comfortable debt protection metrics. The capital structure stood comfortable with low gearing of 0.75 times as on March 31, 2023 (prov) as against 0.62 times as on March 31, 2022. Tangible net worth of the company stood moderate at Rs.48.37 crore as on March 31, 2023 (prov) against Rs.43.25 crore as on March 31, 2022. Of the total debt of Rs.36.21 crore as on March 31, 2023 (prov), Long term debt stood at Rs.6.15 crore USL from Directors/Promoters stood at Rs.0.93 crore, short term debt stood at Rs.26.24 crore and current year maturing debt stood at Rs.2.90 crore. Along with the comfortable capital structure, the debt coverage indicators also stood comfortable with an interest coverage and DSCR of 3.44 times and 1.63 times respectively in FY2023 (prov) as against 2.26 times and 1.59 times respectively in FY2022.

The company is planning for capex in the near medium term for the amount of Rs.84.40 crore for the purposes of adding new products to its portfolio.

Acuite believes the financial risk profile of the SCIL will continue to remain moderate over the medium term after considering the estimated debt funded capex plan.

Weaknesses

Working capital intensive operations

The operations of SCIL are intensive in nature marked by increasing GCA days. Gross Current Asset days (GCA) stood at 182 days and 151 days in FY2023 (prov) and FY2022 respectively. The GCA mainly consists of Debtors and Other current assets. Debtors days has increased to 97 days in FY2023 (prov) against 67 days in FY2022. The inventory days stood at 33 days in FY2023 (prov) against 41 days in FY2022. The creditors' days stood elongated at 88 days in FY2023 (prov) against 67 days in FY2022. Acuité believes that SCIL's ability to improve its working capital cycle over the medium term will remain a key rating sensitivity factor.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining
- profitability margins. Any further large debt-funded capital expenditure, resulting in deterioration of financial risk profile.
- Any deterioration in working capital cycle and liquidity profile of the company.

Material covenants

None

Liquidity Position: Adequate

The Liquidity position is adequate marked by adequate net cash accruals of Rs.7.75 crore in FY2023 (prov), and Rs.4.98 crore in FY2022 against the repayment obligations of Rs.3.09 crore in FY2023 (prov) and Rs.1.31 crore in FY2022. The net cash accruals of the SCIL's are estimated to remain around Rs.10 - 14 crore during 2024-26 against the debt obligation of Rs.1.96 crore- 1.59 crore for the same year. Furthermore, the current ratio stood healthy at 1.33 times as on March 31, 2023 (prov) as against 1.43 times as on March 31, 2022. Liquidity is also managed by its fund based working capital limits which are highly utilised at about 96.05 percent and nonfund based with range of 55-65 percent for the last twelve months ended March, 2023. The liquidity profile of the Group is expected to remain adequate owing to healthy net cash accruals.

Outlook: Stable

Acuité believes that SCIL will maintain a 'Stable' outlook over the medium term backed by its experienced management and adequate revenue visibility. The outlook may be revised to 'Positive' in case of significant improvement of the revenues and profitability margins while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management, stretch in the liquidity and larger-than-expected debt- funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	154.25	129.54
PAT	Rs. Cr.	5.61	2.96
PAT Margin	(%)	3.63	2.29
Total Debt/Tangible Net Worth	Times	0.75	0.62
PBDIT/Interest	Times	3.44	2.26

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, 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.)	Ro
Saraswat Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	AC A Ass
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	AC B Sta Ass
Saraswat Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	AC B Sta Ass
Saraswat Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	AC A Ass
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	AC A Ass
Saraswat Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	AC B Sta Ass
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.45	AC B Sta Ass

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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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