



Press Release
TOPNOTCH CHEMICALS PRIVATE LIMITED
June 04, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	25.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	39.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B Minus**) and the short-term rating of ‘**ACUITE A3+**’ (read as **ACUITE A three Plus**) on the Rs.30.00 Cr. bank facilities of Topnotch Chemicals Private Limited (TCPL). The outlook is ‘**Stable**’.

Acuité has also assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B Minus**) on the Rs.9.00 Cr. bank facilities of Topnotch Chemicals Private Limited (TCPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation:

The rating reaffirmation takes into account the improvement in the scale of operations in FY2025(E), post moderation in FY2024. Further, it factors in the group’s healthy financial risk profile marked by its healthy net worth, gearing levels and comfortable debt protection metrics. It also reflects the group’s established track record of operations, which spans over three decades in this line of business along with extensive experience of the management.

However, the rating is constrained by the intensive nature of working capital operations and highly competitive and fragmented industry.

About the Company

Topnotch Chemicals Private Limited (TCPL), incorporated in 1988, is a bulk drugs manufacturing company. It is one of the largest manufacturers and major players in anti-bacterials, anti-malarial, and anti-foaming agents. Topnotch Chemicals Private Limited has its registered office in Navi Mumbai. The current directors of the firm are Mr. Vasant Ghisulal Jain and Mr. Khandu Vishnu Varal. The company has an installed capacity of 1,200 MT in FY2024.

About the Group

Calyx Chemicals and Pharmaceuticals Limited (CCPL), incorporated in 1986, is engaged in the manufacturing of ingredients for medicine and other chemical products. Currently, Mr. Khandu Vishnu Varal, Mr. Sanket Khandu

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Varal, Mr. Ritik Vasant Jain, and Mr. Vasant Ghisulal Jain are the directors of the company. The company has an installed capacity of 1,825 MT in FY2024.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered consolidated financials of Topnotch Chemicals Private Limited and Calyx Chemicals and Pharmaceuticals Limited to arrive at the rating. The consolidation is on accounts of wholly owned subsidiary and similar lines of business.

Key Rating Drivers

Strengths

- **Established track record of operations along with experienced management.**

TCPL, established in 1988, is a bulk drugs manufacturing company. It is one of the largest manufacturers and major players in anti-bacterials, anti-malarial, and anti-foaming agents. Thus, the group has an established track record of more than three decades in this line of business. The group is promoted by Mr. Khandu Vishnu Varal and Mr. Vasant Ghisulal Jain, who possess industry experience of twenty-five years. The experience of the promoters has helped the group maintain longstanding relationships with its customers and suppliers. Acuité believes the group will continue to benefit from its established position in the pharmaceutical industry, experienced management, and established relationships with customers and suppliers.

- **Improvement in operating performance in FY2025(Estimates) post moderation in FY2024**

The operating income moderated in FY2024, mainly due to a decline in sales volume during the year. The operating income declined to Rs. 263.13 Cr. in FY2024 from Rs. 298.96 Cr. in FY2023. However, as per FY2025 (estimates), it is expected to be in the range of around Rs. 307-308 Cr. Furthermore, the operating profit margin stood in the range of 16.06-16.49 percent in the last two years ending FY2024

- **Healthy Financial Risk Profile**

The group's financial risk profile is healthy, marked by healthy net worth, low gearing, and comfortable debt protection metrics. The net worth stood at Rs.137.06 Cr. and Rs.114.17 Cr. as on March 31st, 2024, and 2023 respectively. The gearing stood at 0.89 times as on March 31st, 2024, against 0.71 times as on March 31st, 2023. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 4.72 times and 2.39 times in FY2024, respectively as against 4.43 times and 3.61 times in FY2023, respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.43 times and 1.12 times as on March 31st, 2024, and 2023 respectively. The debt to EBITDA of the group stood at 2.44 times as on March 31st, 2024, as against 1.43 times as on March 31st, 2023. Acuité believes that the financial risk profile of the company will continue to remain healthy over the medium term in the absence of any major debt-funded capital expenditure and steady accruals generation.

Weaknesses

- **Intensive Working Capital Operations**

The group's working capital operations are intensive in nature, marked by GCA days of 303 days in FY2024, compared to 199 days in FY2023. The higher GCA days are due to increased inventory days and debtor days. Inventory days stood at 202 days in FY2024, compared to 110 days in FY2023. Due to high raw material prices, the company has procured and stocked inventory to safeguard margins. However, in FY2025, inventory days are expected to normalize. Debtor days stood at 127 days in FY2024, compared to 106 days in FY2023. Subsequently, the payable period stood at 168 days in FY2024, compared to 85 days in FY2023. Acuité believes that working capital operations of the group may continue to remain intensive, considering the nature of the business wherein high inventory requirements are there.

- **Highly competitive and fragmented industry**

The pharmaceutical industry is highly competitive and fragmented, with several players in the market. The intense competition and low value addition in the pharma industry have resulted in low operating margins.

Rating Sensitivities

- Steady growth in revenues and profitability margins.
- Sustenance of healthy financial risk and liquidity profile.
- Elongation in working capital cycle resulting in stretched liquidity.

Liquidity Position

Adequate

The group generated cash accruals of Rs.32.36 Cr. in FY2024, while its maturing debt obligations were Rs. 7.38 Cr. during the same period. Going forward, the group is expected to generate adequate net cash accruals against its maturing repayment obligations. The current ratio stood at 1.50 times as on March 31, 2024, and the reliance on working capital limits remained moderate with average utilization of 85 percent over the 6 months ending April 2025 for the fund-based limits. Further, the group's unencumbered cash and bank balances stood at Rs.2.38 Cr. as on March 31, 2024. Acuité believes that group's liquidity will remain sufficient over the medium term, steady accruals generation.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	263.13	298.96
PAT	Rs. Cr.	22.06	20.38
PAT Margin	(%)	8.38	6.82
Total Debt/Tangible Net Worth	Times	0.89	0.71
PBDIT/Interest	Times	4.72	4.43

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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. Acuité'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
06 Mar 2024	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
02 Feb 2024	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB- Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.41	Simple	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2030	8.59	Simple	ACUITE BBB- Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company Name
1	Calyx Chemicals and Pharmaceuticals Limited
2	Topnotch Chemicals Private Limited

Contacts

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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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