



Press Release
FORACE SPECIALITY CHEM PRIVATE LIMITED
January 16, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	370.65	ACUITE A- Stable Assigned	-
Bank Loan Ratings	20.00	-	ACUITE A1 Assigned
Total Outstanding Quantum (Rs. Cr)	390.65	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short term rating of '**ACUITE A1**' (read as **ACUITE A One**) on the Rs.390.65 Cr. bank facilities of Forace Speciality Chem Private Limited. The Outlook is '**Stable**'.

Rationale for Recommendation

The rating assigned reflects the established track record of operations and the extensive industry experience of the promoters in the same line of industry for more than two decades. The rating also factors the steady scale of operations with improved profitability & margins, healthy financial risk profile and adequate liquidity profile of the group. However, the intensive working capital operations and fluctuations in the prices of raw materials and intense competition in the industry make margins and cash flows vulnerable to fluctuations in prices and demand.

About the Company

Forace Speciality Chem Private Limited was incorporated in the year 2017. It is based in Uttarakhand. The company is engaged in manufacturing foundry binders, coatings and other foundry chemicals for all major foundries and production of Phenolic Resins & also exports its products to various countries around the world. The current directors of the company are Mrs. Sonia Garg, Mr. Vikas Garg, Mr. Saksham Garg, Mr. Suresh Chandra Gupta, and Mr. Dipak Kumar Ghosh.

About the Group

Forace Polymers Private Limited was incorporated in the year 1980. It is based in Uttarakhand. The company is engaged in the manufacturing of Phenolic Resins having its applicability in many industries including foundry, refractory, abrasives, friction and rubber. The current directors of the company are Mr. Vikas Garg, Mrs. Sonia Garg, Mr. Dipak Kumar Ghosh, Mr. Saksham Garg and Mr. Suresh Chandra Gupta.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profile of Forace Speciality Chem Private Limited and

Forace Polymers Private Limited together consider as Forace Group (FG). The consolidation is in the view of common management, strong operational linkages between the entities and a similar line of business.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The group is managed by Garg family having experience more than two decades in the same line of business. The extensive experience has helped the management to build strong reputation and brand in the industry over the years. Moreover, their experience has also helped in building healthy relations with reputed customers such as, Mahindra & Mahindra, Jindal Saw Ltd. among others. Further, for procurement of raw materials the company has association with large companies like Deepak Phenolics Ltd etc. The group is planning a capital expenditure of Rs. 180 Cr. for diversifying into newer product line for non-vanilla products having higher margins such as paint resins, tyre resins, releasing agents, and lubricants in next near to medium term. They are planning to fund this capex by 60:40 debt:equity ratio.

Acuité believes that the group will continue to benefit from the extensive experience of the management in establishing key relations with their suppliers and customers.

Decline in scale of operations albeit improved profitability

The revenue from the operations of the group has declined by 10.20%, thereby reducing the topline from Rs. 788.61 Cr. in FY 2023 to Rs. 878.15 Cr. in FY 2024. The decline in the revenue is mainly due to decline in the average price realization. However, the group has sold more volume units in this fiscal year 23-24 as compared to previous year. The operating margin of the group stood at 9.23% in FY 24 against 8.07% in FY 23. The Net margin improved by 37 bps which stood at 3.98% in FY 24 against 3.61% in FY 23. The net profit of the group is Rs. 31.40 Cr. in FY 2024 against the Rs. 31.72 Cr. in FY 2023. Acuite believes that the operating revenue of the group & margins will improve in near to medium term on the account of better price realizations.

Healthy Financial Risk Profile

The group's financial risk profile is healthy marked by net worth, moderate gearing and debt protection metrics. The tangible net worth of the group improved & stood at Rs. 207.55 Cr. as on March 31, 2024, against Rs. 178.34 Cr. as on March 31, 2023, This mainly due to accumulation of profits into reserves. It includes non-cumulative Preferential shares redeemable after 20 years of Rs. 103.59 Cr. The Gearing ratio of the group improved and stood at 1.01 times as on March 31, 2024, as against 1.23 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at 2.08 times as on March 31, 2024, as against 2.39 times as on March 31, 2023. The debt protection metrics of the group is marked by ISCR at 4.96 times and DSCR at 2.32 times as on March 31, 2024. The ROCE of the group is 14.08% in FY 24. Acuite believes that going forward the financial risk profile of the group will remain at same level backed by steady accruals and debt funded capex in near term.

Weaknesses

Working Capital Operations

The group's operations are working capital intensive marked by Gross Current Asset (GCA) days of 203 days in FY2024 against 186 days in FY 2023. The elongation of GCA days is primarily contributed by elongated debtor days of 138 days in FY2024 against 123 days in FY2023. The group directly caters to multiple industries including foundry, refractory, abrasive, rubber etc. The payment terms of every industry being different company has to extend longer credit period resulting in elongation of collections. Further, the creditor days stood at 100 in FY2024 against 82 days in FY2022. The group has been able to leverage its relations with its suppliers for availing longer credit periods. The group has been maintaining average inventory days of 61 which shows its efficiency in creating demand and selling its goods. Acuite believes that working capital operations will remain intensive in near to medium term on the account of nature of business.

Profitability susceptible to fluctuations in prices of raw material

The major raw material for the company is the base chemical derived from natural gas and crude oil. The company's performance remains vulnerable to cyclicity in the oil industry as prices for the industry are highly volatile and may affect the market demands. Moreover, the prices of the same are fluctuating in nature, therefore the operating performance of the company remains susceptible to raw material price fluctuation. However, company has been able to maintain stable operating margins over the years which shows that company can pass on the price fluctuations to its customers.

Rating Sensitivities

- Movement in scale of operations thereby maintaining sustainable profitability
- Timely completion of capex without significant impact on the financial risk profile.

Liquidity Position

Strong

The group generated cash accruals in the range Rs. 47.64 Cr. in FY 23-24, while its maturing debt obligations have been in the range Rs. 12.04 Cr. over the same period indicating availability of funds for projected capital expenditure. The cash accruals of the company are estimated to remain in the range of Rs. 50-60 Cr. for the FY 24- 25, while its maturing obligations are estimated at around Rs. 21 Cr. The group has a cash & bank balance of

Rs. 5.67 Cr. The average utilization of fund-based limit for last seven months ended is October 2024 is 28.32%. Acuite believes that the liquidity profile of the group will remain strong over the near to medium term with steady accruals giving cushion for capital expenditure.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	788.61	878.15
PAT	Rs. Cr.	31.40	31.72
PAT Margin	(%)	3.98	3.61
Total Debt/Tangible Net Worth	Times	1.01	1.23
PBDIT/Interest	Times	4.96	5.12

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

None.

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 :

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	80.00	Simple	ACUITE A- Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	43.00	Simple	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	168.50	Simple	ACUITE A- Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	02 May 2028	4.90	Simple	ACUITE A- Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	02 May 2030	33.58	Simple	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Dec 2026	13.23	Simple	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	13 Jun 2030	25.00	Simple	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Feb 2026	2.44	Simple	ACUITE A- Stable Assigned

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

Sr. No.	Company Name
1.	Forace Speciality Chem Private Limited
2.	Forace Polymers Private Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Kartik Arora Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.