

Press Release

Kunal Conchem Private Limited

September 19, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	-	ACUITE A3+ Reaffirmed
Bank Loan Ratings	6.50	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	12.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating at "**ACUITE BBB**" (read as **ACUITE triple B**) and short term rating at **ACUITE A3+** (read as **A three plus**) on the Rs.12.50 crore bank facilities of Kunal Conchem Private Limited (KCPL). The outlook is "**Stable**".

The rating has been reaffirmed on the basis of minuscule improvement in the top line of the business. Apart from this, the working capital of the company is stretched. Overall Acuite believes that company will grow in near future on the back of healthy accretion of reserves.

About the Company

Haryana based, Kunal Conchem Private Limited (KCPL) was established in 2009. The directors of the company are Mr. Narendra Prasad, Mrs. Indira Prasad, Mr. Kunal Prasad and Mr. Mrinal Prasad. The company is engaged in the manufacturing of chemicals for construction companies. KCPL has 3 plants; located in Faridabad, Gujarat and West Bengal with installed capacities of 12000MT, 10000MT and 8000MT respectively. The notable customers that KCPL cater to include PNC Infratech Limited, Ashoka Buildcon Limited, and Larsen & Toubro Limited to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Kunal Conchem Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management

KCPL was incorporated in 2009. The directors of the company are Mr. Narendra Prasad, Mrs. Indira Prasad, Mr. Kunal Prasad and Mr. Mrinal Prasad. Mr Narendra Prasad has an experience of over four and a half decades while Mrs. Indira Prasad, Mr. Kunal Prasad and Mr. Mrinal Prasad have an experience of over a decade in the said line of business. The established track record of operations and experience of management has helped the firm

to develop healthy relationships with customers and suppliers.

Healthy Financial Risk profile

The financial risk profile of the company is healthy marked by net worth of Rs.91.74 Crore in FY22 as against Rs.75.56 Crore in FY21 due to healthy accretion of reserves. The gearing ratio of the company is 0.14x in FY22 against 0.06x in FY21. The firm on the other hand generated cash accruals of Rs.17.10 in FY22. The interest coverage ratio of the company is 90.96 times in FY22.

Acuite believes that the financial risk profile of the firm is likely to remain healthy over the medium term on account of comfortable debt protection metrics.

Weaknesses

Working capital intensive operations

Working capital intensive operations marked by GCA days of around 217 days in FY22 as against 171 days in FY21. GCA remained high due to high debtor collection period and the company is going to file litigation against one of its customer for around Rs. 3 crore of outstanding. KCPL has maintained inventory period of around 37 days in FY22 as against 26 days in FY21. The current ratio of the company is 2.78 times in FY22. Acuite believes that the working capital management of the company remain capital intensive over the medium term on the account of high debtor collection period.

Highly competitive and fragmented nature of industry

The company operates in a highly competitive and fragmented industry being characterised by large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the company.

Rating Sensitivities

- Improvement in the scale of operation.
- Stretched working capital cycle.

Material covenants

None.

Liquidity Position

Adequate

KCPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated net cash accruals of Rs.17.10 Crore in FY22. The company's working capital operations are intensive marked by GCA days which stood at 217 in FY22(Provisional). The bank limit utilization of the company is 15.15% in in last six months through August 2022 giving adequate liquidity buffer in the form of unutilized bank limits.

Outlook: Stable

Acuite believes that KCPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	96.95	95.59
PAT	Rs. Cr.	16.18	19.33
PAT Margin	(%)	16.69	20.23
Total Debt/Tangible Net Worth	Times	0.14	0.06
PBDIT/Interest	Times	90.96	134.51

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>
- Manufacturing Entities: <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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2021	Letter of Credit	Short Term	6.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	6.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
12 Jun 2020	Letter of Credit	Short Term	6.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Assigned)
30 Jan 2020	Letter of Credit	Short Term	6.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+ Reaffirmed

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About Acuité Ratings & Research

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