



Press Release

Chrysalis Trading Private Limited

June 26, 2020

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned	Rating Action
1.	Long Term Facility – Fund Based – Cash Credit	15.00	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Re-affirmed
	Total	15.00		

Ratings

Details of Facilities are in Annexure 1

Detailed Rationale

The Rating continues to derive comfort from the experienced promoters, Y-o-Y growth in revenue & moderate financial risk profile, long term relationship with customers and suppliers and improvement in working capital efficiency. However, the rating strengths are partially offset by declining EBITDA margins, intense competition and impact of COVID-19 on the metal industry.

Key Rating Sensitivities

Upward factors:

- Sustained improvement in scale of operations & profitability.

Downward factors:

- Decline in profitability
- Decline in liquidity caused by elongation in debtor collection period

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoters

The company was promoted by Kashyap family led by Mr. Saurabh Kashyap. The promoters have an experience of over a decade in the business of metal trading. Long association with the industry has enabled the company to establish relationships with metal manufacturers and miners.



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Y-o-Y growth in revenue & moderate financial risk profile

The top-line of the company has grown by 152% in FY19 to Rs. 486.14 crore from Rs. 192.86 crore resulting from on boarding of new customers and increased sales volumes. In 9M FY20 the company has booked revenues of around Rs. 190.00 crore. The company has a moderate financial risk profile supported by a gearing ratio of 2.22x as on March 31, 2019, which is expected to improve with a gradual increase and retention of profit in the business. The gross cash accruals have also increased to Rs. 1.06 crore in FY19 from Rs. 0.76 crore in FY18. Interest coverage was at 2.00x in FY19 (FY18: 2.14x)

Long- term relationship with customers and suppliers

The company has established strong relationship with its customers and suppliers owing to long experience of the promoters in this line of business. Good relationship with suppliers enables the company to procure some of its raw materials from auction at competitive prices. The top six customers of the company attribute to 50% of the total sales made in FY19.

Increase in working capital efficiency

In FY19 the management decided to convert to a 'cash and carry' model, a strategy intended majorly to negate the risk of any susceptible bad debts arising from the business (bad debts written off in FY19 amounted to Rs. 1.28 crore); a model which excludes all credit transactions, resulting in an up-front payment from clients, helping the company to match their sales with actual cash receipts. The change in system resulted in decline in debtor days as the company is concentrating on customers who are able to pay their dues immediately, resulting lower debtors amounting to Rs. 7.36 crore in FY19 from Rs. 42.67 crore in FY18. The new strategy has also led to the decline in creditor as well, to Rs. 1.33 crore in FY19 from Rs. 21.49 crore in FY19, although this has had a negative impact on their margins.



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Key Rating Weaknesses

Declining EBITDA margins

The EBITDA margin has declined to 0.88% in FY19 from 1.25% in FY18 and the PAT Margin has declined as well to 0.30% in FY19 from 0.52% in FY18. However, on an absolute level EBITDA has improved to Rs. 3.01 crore in FY19 (FY18: Rs. 2.42 crore).

Intense domestic competition and COVID-19 impacting the metal industry

Entry barriers remains low in trading business there are lots of players in the industry. This restricts the pricing flexibility and profitability margin of CTPL. Demand for metals is directly influenced by the trends in various other industry like automotive, construction, infrastructure and consumer durables, all of which are facing bearish conditions due to difficulties caused by a weakened world economy and coronavirus outbreak. The advent of the coronavirus has led to widespread shutdowns in economies, which has caused subdued demand from allied sectors and most companies are facing loss of orders. The crisis has led to weaker global demand, supply chain disruptions, low commodity prices and all modes of transportation curtailed impacting the carriage of materials.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

Liquidity is adequate characterised by cash balance amounting to Rs. 1.04 crore, moderate utilisation of cash credit limits at average of around 90% in the last twelve months ended February 2020. Current and quick ratio stands at 1.53x in FY19.

About the company

Chrysalis Trading Pvt Ltd (CTPL) is a private limited company incorporated by Kashyap family in year 2005 & commenced its business operations from December 2005. The



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company is involved in trading of various products such as wide range of aluminium rods, aluminium scrap, coal, copper and other metal products.,

Financials (Standalone)*:

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	192.86	486.14
EBITDA	2.42	4.28
PAT	0.76	1.75
Total Debt	9.92	10.21
Tangible Net-worth	7.59	8.64
Ratios		
EBITDA Margin (%)	1.25	0.88
PAT Margin (%)	0.39	0.22
Overall Gearing Ratio (x)	0.60	0.58

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickworks Ratings in their press Release dated on March 30, 2020 have classified the case under Issuer Not Cooperating.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (April 01, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based - Cash Credit	Long Term	15.00	IVR BB / Stable Outlook	IVR BB / Stable Outlook	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based - Cash Credit	NA	NA	Revolving	15.00	IVR BB/ Stable Outlook