



Press Release

Accord Chemical Corporation

June 29, 2022

Rating

Instrument Facility /	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	19.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	164.00	IVR A3 (IVR A three)	Assigned	Simple
Total	183.00 (INR One hundred and eighty three crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to bank facilities of Accord Chemical Corporation (ACC) derives strength from its established track record in chemical trading business under experienced promoters, diversified customer base and diversified product portfolio which is used in a varied number of industries. The rating also favourably factors in consistent increase in ACC's topline and profitability over the past three fiscal ended in FY22, prudent working capital management, conservative capital structure and favourable coverage indicators. However, these rating strengths are constrained by vulnerability of profitability to foreign exchange price fluctuation risk, exposure to intense competition and risks arising from partnership nature of constitution.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in revenue with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.

Downward Factors

- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings.
- Dip in operating income and/or profitability impacting the debt coverage indicators
- Withdrawal of subordinated unsecured loans and/or any unplanned capex leading to moderation in the capital structure with deterioration in the overall gearing.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with established track record in chemical trading business**

Promoters of the firm Mr. Jinesh Shah and Mrs. Meghna Shah have about two decades of experience in the chemical trading which helped them to establish strong relationship with diverse customer base leading to repeat orders. Also, strong relationship with supplier's has ensured sustainable supply of products without any disruptions.

- **Consistent increase in topline and profitability**

The total operating income (TOI) of the firm has increased consistently over the past three fiscals. In FY22 (Prov) TOI increased ~78% y-o-y to Rs. 1160.64 crore, driven by increase in sales. Consequently, EBITDA and PAT witnessed a y-o-y growth of 33% and 44%, respectively. Infomerics believes that a consistent and sustained increase in topline and profitability of the firm will be a key rating factor going ahead.

- **Conservative capital structure and favourable coverage indicators**

Adjusted net worth as on March 31, 2022 (Prov.) consist of subordinated unsecured loans aggregating to Rs.6.66 crore from the promoters which is considered as quasi equity. Considering the same the adjusted tangible net worth of the company stood at Rs. 60.16 crore as on March 31, 2022 (Prov) compared with Rs.31.68 crore as on March 31, 2021. The overall gearing ratio has improved to 0.29x as on March 31, 2022 (Prov) from 0.86x as on March 31, 2021, driven by accretion of profit to net worth and scheduled repayment of term debts. Further, total indebtedness of the company as depicted by TOL/TNW improved to 3.58x as on March 31, 2022 (Prov), from 6.56x as on March 31, 2021. The interest coverage ratio improved to 7.30x in FY22 (Prov) from 5.73x in FY21 backed by higher EBITDA. Total debt to EBITDA and total debt to GCA remided favorable at 0.65x and 0.74x respectively in FY22 (Prov.).

- **Comfortable operating cycle and working capital management**

The firm has an effective receivables management system. The working capital requirement of the company is mainly funded through credit period availed from its creditors based on its established relationship. In FY22 (Prov) gross current asset days moderated to ~63 days from ~108 days in FY21 because of decline in average collection and inventory holding period.



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- **Diversified customer base and product portfolio for multiple industries**

ACC has a diversified product portfolio chemicals that are used in multifarious industries. Its products are supplied pan India and abroad. The firm's customer base includes reputed names like DOW, Suitomo Chemical, BPCL India, Shell. A diversified customer base along with reputed client reduces counterparty risk.

Key Rating Weaknesses

- **Vulnerability of profitability to foreign exchange price fluctuation risk**

The firm imports ~65% of its products which exposes it to foreign exchange rate risk. ACC does not have any hedging mechanism against the risk of fluctuation in foreign exchange rates. As on March 31, 2022, the firm had unhedged exposure of Rs. 20.03 crore.

- **Intense competition**

Chemical trading industry is highly unorganised with many small and medium size players in the industry exposing the firm to intense competition with minimum price flexibility.

- **Risks arising from partnership nature of business**

Given ACC's constitution as a partnership firm, it is exposed to the inherent risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon death, retirement, or insolvency.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The firm's liquidity is expected to remain adequate marked by its expected satisfactory gross cash accruals vis-à-vis its insignificant debt repayment obligations during FY23-FY25. However, its current ratio remains low at 0.97 times in FY22 (Prov.). Nevertheless, absence



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of any capital expenditure plans in the near term provides further cushion to the liquidity position.

About the Firm

Established in 2009, Accord Chemical Corporation is a partnership firm. It is engaged in trading, indenting, distribution, imports, and exports of various petrochemicals. The firm is located in Mumbai (Maharashtra – India) with branch offices in Ahmedabad (Gujarat) and Gandhidham (Kutch) India. The group trades in a wide variety of products which caters to the need of various industries such as pharmaceuticals, agrochemicals, paints, automobiles, packaging and textiles, among others. The partners of the firm have experience of over two decades in the trading business, which has enabled them to establish longstanding relationship with its customers and suppliers.

Financials (Standalone):

(Rs. crore)		
For the year ended* / As on	31-March-21 (Audited)	31-March-22 (Provisional)
Total Operating Income	652.36	1160.64
EBITDA	20.12	26.85
PAT	14.93	21.52
Total Debt	27.40	17.43
Tangible Net-worth	31.68	60.16
EBITDA Margin (%)	3.08	2.31
PAT Margin (%)	2.29	1.85
Overall Gearing Ratio (x)	0.86	0.29

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	18.50	IVR BBB-/Stable	-	-	-
2	Overdraft	Long Term	0.50	IVR BBB-/Stable	-	-	-
3.	Letter of Credit	Short Term	159.00	IVR A3	-	-	-
5.	Bill Discounting	Short Term	5.00	IVR A3	-	-	-
4.	Letter of Credit	Short Term	(5.00)*	IVR A3	-	-	-

**sublimit of bill discounting*

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	3.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	12.50	IVR BBB-/ Stable
Cash Credit 3	-	-	-	3.00	IVR BBB-/ Stable
Overdraft	-	-	-	0.50	IVR BBB-/ Stable
Letter of Credit 1	-	-	-	27.00	IVR A3
Letter of Credit 2	-	-	-	12.50	IVR A3
Letter of Credit 3	-	-	-	22.00	IVR A3
Letter of Credit 4	-	-	-	52.50	IVR A3
Letter of Credit 5	-	-	-	25.00	IVR A3
Letter of Credit 6	-	-	-	(5.00)*	IVR A3
Proposed Letter of Credit	-	-	-	20.00	IVR A3
Bill Discounting	-	-	-	5.00	IVR A3

*sublimit of bill discounting

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Accord-Chemical-june22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

