



Press Release

Chamak Holdings Limited

May 11, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Short Term Bank Facilities	28.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	28.00	Twenty eight crores only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned a short term rating of IVR A4 for the bank loan facilities of Chamak Holdings Limited.

The rating assigned draws comfort from the experience of the promoters of the company, low counterparty and price fluctuation risk, increasing total operating income and moderate debt protection metrics during FY21. However, these rating strengths are partially offset by customer concentration risk, weak capital structure, decline in revenue and low operating margins, inherent risk of capital being withdrawn and its presence in fragmented industry structure with intense competition.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes the firm's business risk profile will be maintained over the medium term. IVR has principally relied on the standalone audited financial results of the firm upto 31 March 2021, 6MFY22 results and projected financials for FY22, FY23 and FY24, and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operations with improvement in profitability and cash accruals
- Manage working capital requirement efficiently with improvement in collection period and liquidity



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- Sustenance of the capital structure with improvement in debt protection metrics marked by improvement in interest coverage ratio

Downward Factors

- Moderation in the scale of operations of the firm and/or moderation in profitability
- Deterioration in overall gearing /or moderation in debt protection metrics
- Elongation in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of Promoters:**
Chamak Holding Limited (CHL) was incorporated in 1984 for the purpose of import of metal scrap and its trading. The promoters are supported by a highly qualified and trained team to run day to day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers.
- **Low counterparty and price fluctuation risk:**
The company has low counterparty risk as a major portion of transactions are LC backed or against advance payment. As the company is engaged in trading of ferrous and non-ferrous metals, so it is exposed to price fluctuation risk. The price fluctuation risk is mitigated by the adoption of back-to-back sales policy.
- **Moderate debt protection metrics:**
Debt servicing capabilities are moderate, reflected by ISCR of 2.85X in FY21 depicting the financial capacity of the company to repay its debt obligations.



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Key Rating Weaknesses

- **Customer Concentration risk:**

Chamak Holding Limited derive ~92% of revenue from sale to Synergy Steel Limited (group company) thereby exposing the company to customer concentration risk.

- **Weak Capital Structure:**

The capital structure is weak marked by high overall gearing of the company at 2.42x as on March 31, 2021. The networth of the company stood at Rs 3.88 crore as on March 31, 2021 (Unsecured loan of Rs 1.90 crore are subordinated to bank facilities therefore treated as quasi equity).

- **Presence in a fragmented industry structure with intense competition:**

The firm is engaged in trading business of various ferro-alloys which is highly competitive due to presence of many players owing to less product differentiation and low entry barriers. Presence of many players in the operating spectrum constrains the pricing flexibility of the firm to a large extent.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The company has generated cash accruals of Rs. 1.20 crs. and is expected to generate modest level in the range of remain 1-1.5 crs over the projected years (FY2-24) with no term debt repayment. Further, the working capital limits remained moderately utilized at 79% over the



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twelve months ended September 2021. Current Ratio remained average at 1.18x as on March 31, 2021.

About the Firm:

Chamak Holdings Limited was incorporated in 1984 as a public limited company. The company is engaged in trading of various types of ferrous and non-ferrous item. It is managed and controlled by Mr. Subhash Chander Kathuria who is having experience of three decades in the same line of industry. The firm has the office situated in New Delhi.

Financials (Standalone): INR in crore

For the year ended*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	59.35	77.87
EBITDA	-0.42	1.16
PAT	-0.61	1.53
Total debt	0.32	9.38
Tangible Net worth	0.76	1.98
Analysed Tangible Net worth	0.76	3.88
EBITDA Margin (%)	-0.71	1.49
PAT Margin (%)	-1.01	1.95
Overall Gearing Ratio (x)	0.42	2.42

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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 2021-2022	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Letters of Credit	Short Term	28.00	IVR A4 (IVR A Four)	-	-	-



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About Infomerics:

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. 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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Long term Bank Facility- Cash Credit	-	-	-	-	-
Short term Bank Facility- Letters of Credit	-	-	-	28.00	IVR A4

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-CBM-May22.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.