



## Press Release

### Chemi Tech Engineers Private Limited

**February 25, 2022**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator (Simple / High / Complex)</b>
Long Term Bank Facilities	74.00	IVR BB+/ Stable (IVR double B plus with Stable outlook)	Assigned	Simple
Long Term/Short Term Bank Facilities	(80.65)*	IVR A4+ (IVR A four plus)	Assigned	Simple
<b>Total</b>	<b>74.00 (Seventy four crore rupees)</b>			

*\*Sub limits*

**Details of facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of Chemi Tech Engineers Private Limited considers experience of promoters in the chemical trading industry coupled with reputed clientele and comfortable capital structure. However, the ratings are constrained on account of susceptibility to raw material price volatility coupled with foreign exchange fluctuation risk, competitive and fragmented nature of industry and working capital nature of industry marked by elongated receivable period.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Improvement in the topline, profits and cash accruals on a sustained basis
- Improvement in capital structure, debt protection metrics and liquidity

##### **Downward Factors**

- Moderation in operating income or profitability and/or cash accrual, any further stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure impacting the financial risk profile, particularly liquidity.



## Press Release

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Experienced promoters**

The Company is promoted by Mr. Darshan Lal Gupta (MD) who has an industry experience of over 28 years in chemical trading. He has an extensive knowledge of chemical industry particularly in solvent, paint, ink & packaging industry. Extensive experience of the promoter underpins the business risk profile of the company and supports it to develop established relationship with its customers. Further, the directors and upper management of the company are well supported by an experienced team of professionals.

##### **Reputed and diversified Clientele and suppliers**

The company has well established relations with various reputed companies like Reliance Industries Limited, Deepak Fertilizers, Industrial Organics Chemicals & Pharmaceuticals Ltd, CCD Singapore PTE and Shell Eastern Chemicals etc. Further, the company's clientele is well diversified with top 10 customers comprising only around 41% of the total revenues during FY21.

##### **Comfortable capital structure**

The overall gearing remained low at 0.32x as on March 31, 2021, improved from 1.79x as on March 31, 2021 due to decrease in total debt in FY20 and improvement in net worth of the company. The interest coverage ratio also remained moderate at 1.91x in FY20 as against 2.07x in FY19 and DSCR stood at 1.56x in FY21 as against 1.65x in FY20. The net worth of the company at Rs. 23.79 Crs in FY21.

#### **Key Rating Weaknesses**

##### **Raw material price risk and susceptibility to foreign exchange fluctuations**

Some of the key raw materials used in manufacturing and trading activities of the company are derivatives of crude oil. Crude oil has exhibited considerable volatility in the past on account of various reasons. Any adverse fluctuation in crude oil prices going forward may impact the profitability of CTEPL. However, this risk is mitigated to a certain extent as the



## Press Release

prices of purchases and sales are fixed in advance. Hence any increase in cost largely passed on to the company's customers. Further, imports constitute ~53% of the company's raw material requirement which exposes the company to foreign exchange fluctuation risk.

### **Competitive and fragmented nature of industry**

The adhesives and chemicals industry in India is highly fragmented, due to the presence of a large number of small-scale units leading to high competition in the industry. The company faces intense competition from the reputed players in the industry.

### **Working capital intensive nature of operations marked by elongated receivable period**

The operations are highly working capital intensive, as reflected by operating cycle of 66 days in FY20 owing to elongated receivables of 122 days. Working capital requirements are largely funded through bank borrowings and credit period availed from the creditors. The average working capital utilization of the company remained moderate around 81% for the past 10 months ended January 2022.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

### **Liquidity - Adequate**

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accrual over the near medium term. Further, its working capital limits remained moderately utilized to the extent of ~81% during the past 10 months ended January 2022 indicating liquidity buffer. The current ratio stood at 1.21x in FY21 and remained satisfactory.

### **About the Company**

Chemi Tech Engineers Private Limited (hereafter referred as "CTEPL") was set up as partnership firm in 1989 and was reconstituted as a private limited company in 1997. CTEPL is promoted by Mr. D. L. Gupta and Mr. N. K. Gupta. The company is engaged in trading of chemicals and chemical solvents, and acts as a dealer/ distributor.



## Press Release

### Financials (Standalone)

For the year ended* / As on	INR in Crore	
	31-Mar-20 (A)	31-Mar-21 (A)
Total Operating Income	194.26	202.14
EBITDA	6.46	7.21
PAT	1.75	2.05
Total Debt	38.86	7.64
Tangible Net Worth	21.72	23.79
EBIDTA Margin (%)	3.33	3.56
PAT Margin (%)	0.90	1.01
Overall Gearing ratio(x)	1.79	0.32

\*Classification as per Infomerics' standards

### Details of Non-Co-operation with any other CRA:

Brickwork Ratings has moved the rating of CTEPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated January 22, 2022.

CRISIL Ratings has moved the rating of CTEPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated February 16, 2021.

**Any other information: N.A.**

### Rating History for last three years:

Sr. No.	Name of Facility	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit/WCD L	Long term	74.00	IVR BB+/ Stable	-	-	-
2.	Letter of credit	Short Term	(74.00)*	IVR A4+	-	-	-
3.	Bank Guarantees	Short Term	(6.65)*	IVR A4+	-	-	-

\*Sublimits

### Name and Contact Details of the Rating Analysts:



## Press Release

Name: Mr. Abhishek Nayak Tel: (033) 46022266 Email: <a href="mailto:abhishek.nayak@infomerics.com">abhishek.nayak@infomerics.com</a>	Name: Mr. Sandeep Khaitan Tel: (022) 46022266 Email: <a href="mailto:sandeep.khaitan@infomerics.com">sandeep.khaitan@infomerics.com</a>
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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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
Cash Credit/ WCDL	-	-	-	74.00	IVR BB+/ Stable
Letter of Credit	-	-	-	(74.00)*	IVR A4+
Bank Guarantee I	-	-	-	(5.00)*	IVR A4+



## Press Release

Bank Guarantee II	-	-	-	(1.65)*	IVR A4+
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*\*Sublimits*

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

**Annexure 3: Facility wise lender details**

[Microsoft Word - Facility wise lender name - Chemi Tech Engineers Pvt. Ltd\\_Final \(infomerics.com\)](#)

**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](http://www.infomerics.com).