



Press Release

Chemrow India Private Limited (CIPL)

February 9, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	5.00	IVR BB+/Stable	Assigned	Simple
Short Term Bank Facilities – Letter of Credit	35.00	IVR A4+	Assigned	Simple
Total	40.00	Rupees Forty Crores Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Chemrow India Private Limited (CIPL) derives comfort from extensive experience of the promoters, moderate scale of operations and moderate capital structure and debt protection metrics .However, the rating strengths are partially offset by exposure to volatility in PVC prices and highly competitive nature of PVC resins trading industry.

Key Rating Sensitivities

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis.
- Improvement in working capital management

Downward Factors

- Dip in operating income and/or profitability on a sustained basis.
- Deterioration in the capital structure marked by overall gearing of over 1.00x.
- Moderation in liquidity position with elongation in operating cycle



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters

Chemrow India Private Limited Ltd is promoted by Mr. Manish Sharma and Mr. Ashish Sharma. Mr. Manish Sharma, with 25 years of industry experience and his brother, Mr. Ashish Sharma, who has jointly led the company. Drawing on their extensive experience of over two decades in the footwear industry, the promoters possess a profound understanding of market dynamics. Their robust relationships with both suppliers and customers are expected to further bolster and sustain the business.

Moderate scale of operations

CIPL reported total income of Rs. 171.16 crore in FY23 (Rs. 142.22 crore in FY22), an increase of 20.35% in comparison to revenue in FY22. Due to increased volume realization, there was a gain in total income in FY23. Further, CIPL's gross cash accruals stood at Rs. 1.53 crore in FY23 (Rs.1.38 crore in FY22) due to increase in PAT absolute.

CIPL's EBIDTA margin was ~1.63% in FY23 (~1.79% in FY22) due to increased cost of purchase. Further, CIPL's PAT margin was ~0.82% in FY23 (~0.89% in FY22) due to increased finance cost. CIPL has non-operating income of Rs. 0.79 crore in FY23 which mainly includes Interest income.

Moderate Financial Risk Profile

The financial risk profile of the company is marked by moderate capital structure and debt protection metrics. CIPL's TOL/TNW net adjusted stood at 3.38x as on March 31, 2023, (1.97x as on March 31, 2022) due to increase in total debt. Further, Overall gearing including net adjusted stood at 0.70x as on March 31, 2023 (0.40x as on March 31, 2022). The debt protection metrics also remained moderate with interest coverage ratio of 1.78x in FY23 (2.28x in FY22). Total debt to GCA Stood at 7.04x as on March31, 2023 (4.16x as on March 31, 2022).



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Key Rating Weaknesses:

Exposure to volatility in PVC prices

The prices of PVC resins, EVA and plastic granule remain volatile, and the company does not enter into any price agreements with its suppliers or customers. Hence, profitability is exposed to fluctuations in PVC, EVA and plastic granule prices. However, volatility in PVC, EVA and plastic prices is mitigated by the company policy of passing on any increase in the prices to its customers to some extent.

Highly competitive nature of PVC resins trading industry

The EVA, PVC resin and plastic granules trading industry is characterized by low entry barriers due to the minimal capital required and commodity nature of the product which has resulted in proliferation of large number of small and large traders spread across the country. The highly fragmented nature of the industry has resulted in intense competition within the industry resulting in very thin profit margins.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for default recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology of Trading-companies](#)

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

Liquidity: Adequate

CIPL's liquidity position remained adequate marked by current ratio of 1.12x as on March 31, 2023 (1.33x as March 31, 2022). Gross cash accruals stood at Rs. 1.53 crore in FY23 (Rs. 1.38 crore in FY22). The company's cash accruals are sufficient



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to meet its repayments in FY24-26. The average utilization of its working capital facilities is 78.85% in the 12 months ended Nov 2023, giving it sufficient headroom.

About the company

Chemrow India Private Limited (CIPL) was established in 1997. The main head office is in Jhandewalan, New Delhi with supporting units spread in National Capital Region (NCR). The company engages in the trading business. The company mainly imports and trades in EVA, polyvinyl chloride (PVC) resin and plastic granules. CIPL distributes its products primarily within the domestic region, catering to areas such as Delhi, Haryana, and beyond.

Financials: Standalone

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	141.91	170.37
EBITDA	2.54	2.78
PAT	1.26	1.40
Total Debt	5.76	10.74
Tangible Networth (Net Adjusted)	14.26	15.45
Ratios		
EBITDA Margin (%)	1.79	1.63
PAT Margin (%)	0.89	0.82
Overall Gearing Ratio (x) (Net Adjusted)	0.40	0.70

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:: Care Ratings Ltd. has migrated the ratings of Chemrow India Private Limited in the 'Issuer not cooperating' category vide its press release dated August 30, 2023, due to non-availability of information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Long Term Facility-Cash Credit	Long Term	5.00	IVR BB+/Stable	-	-	-
2	Short Term Facility –Letter of Credit	Short Term	35.00	IVR A4+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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.



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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	-	-	Revolving	5.00	IVR BB+/Stable
Letter of Credit	-	-	-	35.00	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-Chemrow-feb24.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.