



## Press Release

### Columbia Petro Chem Private Limited

April 05, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	75.00	IVR A+/ Stable (IVR Single A Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	610.00	IVR A1+ (IVR A One Plus)	Assigned	Simple
<b>Total</b>	<b>685.00</b> <b>(Rupees Six Hundred Eighty-Five Crore only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Columbia Petro Chem Private Limited (CPCPL) derive strength from its long track record of operations, experience of its promoters, reputed clientele and wide application of its products. The ratings also factor in CPCPL's moderate financial risk profile and comfortable capital structure and debt protection metrics. The ratings are, however, constrained by susceptibility of its profitability to volatility in the price of raw material and foreign exchange rates along with intense competition in the industry.

#### Key Rating Sensitivities

##### Upward Factor

- Substantial and sustained improvement in the revenue along with EBITDA margin improving above 6% leading to improvement in overall financial risk profile of the company

##### Downward Factor

- Any decline in revenue and/or EBITDA margin leading to decline in debt protection metrics
- Any major debt funded capex incurred by the company resulting in deterioration in the debt protection metrics and/or liquidity position

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths

##### *Long track record of operations and experienced management*

CPCPL was incorporated in 1987 with an object to manufacture petroleum specialty products. CPCPL is the flagship company of the Halwasiya Group, promoted by Mr. Kuldeep Halwasiya, who is the Chairman and Managing Director and Mr. Pradeep Halwasiya. Mr. Kuldeep Halwasiya has nearly four decades of experience in petroleum speciality products. Another director of



## Press Release

CPCPL, Mr. Rajdeep Halwasiya, has around three decades of experience in petroleum speciality products. The directors are assisted by a team of professionals.

### ***Wide application of the products and reputed clientele***

CPCPL manufactures a wide range of pharmaceutical / food grade liquid paraffins and technical grade white oils from base oils. Liquid paraffins are widely used in medical formulations, ointments, laxatives, repository vaccines, hair oils, hair creams, cosmetics, facial creams and lotions, gelatin capsules, food preservatives, protective coatings for fruits and vegetables, veterinary preparations, egg preservatives and as secondary plasticizer in plastic and petrochemical industry. Technical grade white oils of wide viscosity range find extensive usage in textile industry for non-staining lubrication, incense - perfume manufacture, plastic, paper and cosmetic industries and several oil based formulations, lotions, shoe polish and petroleum jelly manufacturing industries. CPCPL enjoys approvals from all the major pharmaceutical and FMCG companies in India and abroad.

### ***Moderate financial risk profile***

CPCPL's total operating income declined by 12.73% and stood at Rs.1,002.19 crore in FY21 as against Rs.1148.43 crore in FY20, owing to decline in the average sales price realization. However, EBITDA margin improved from 3.38% in FY20 to 3.92% in FY21 led by decrease in cost of production. The PAT margin improved from 0.78% in FY20 to 1.42% in FY21 on account of lower interest costs led by lower utilisation of fund based limits. In line with the improvement in profitability, the Gross Cash accruals improved from Rs.12.85 crore in FY20 to Rs.19.01 crore in FY21.

During 9MFY22 the total operating income has increased by 11.76% to Rs. 888.61 crore as compared to 9MFY21. The EBITDA margin and PAT margin improved to 2.81% and 1.85% respectively as compared to 9MFY21.

### ***Comfortable capital structure and debt protection metrics***

The overall gearing ratio of the company is comfortable at 0.04x as on March 31, 2021 as against 0.46x as on March 31, 2020. CPCPL has repaid majority of the unsecured inter-corporate loan in FY21; resultantly there was only short-term debt on its books as on March 31, 2021. Also, the cash credit limits remain almost unutilised owing to the cash surplus. The total outside liabilities to tangible net worth of CPCPL also improved from 3.45x as on March 31, 2020 to 2.65x as on March 31, 2021. Interest coverage ratio stood comfortable at 14.76x in FY21 as against 9.88x in FY20. Total Debt / Gross Cash Accrual improved and stood comfortable at 0.39 years for FY21 against 5.66 years for FY20 owing to increase in GCA led by improvement in profitability during the year, couple with decline in total debt as on March 31, 2021.



## Press Release

### **B. Key Rating Weaknesses**

#### ***Susceptibility of profitability to volatility in raw material prices***

The basic raw material required by CPCPL is base oil, the price of which is volatile in nature. Hence, the profitability of CPCPL is exposed to variations in raw material prices. However, the same is mitigated to an extent as CPCPL has long term relations with almost all the major base oil producing refineries in the world and has strategic tie-up in the form of long-term contracts with them for regular supplies of various grades of base oil.

#### ***Susceptibility of profitability to foreign exchange fluctuation***

CPCPL imports around 98% of its raw material and derives around 30% of its sales from exports. In FY21 its foreign exchange loss was Rs.6.06 crore as against Rs.12.47 crore in FY20. CPCPL hedges its foreign currency exposure partially through forward contracts. Its unhedged exposure as on December 31, 2021 stood at Rs.205.07 crore.

#### ***Intense competition in the industry***

CPCPL operates in a highly competitive industry marked by low entry barriers. Generally, the players are not able to fully pass on hike in base oil prices to the customers and have to focus on increasing the volumes. However, the same is mitigated to an extent by the long-standing business relationship CPCPL has with its customers in the pharmaceutical and FMCG industries.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing companies](#)

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

#### **Liquidity – Adequate**

CPCPL's liquidity position is characterised by almost unutilised working capital limits. Its unencumbered cash and bank balance stood at Rs.100.40 crore as on March 31, 2021. The GCA was Rs.19.01 crore in FY21 as against negligible long term loan repayments. Current ratio of CPCPL stood at 1.29x as on March 31, 2021. Further, the company has envisaged moderate capex in FY23-FY24, which is expected to be funded from internal accruals.

#### **About the Company**

Incorporated in 1987, Mumbai-Maharashtra based CPCPL, promoted by Mr. Kuldeep Halwasiya, is a part of Halwasiya Group. CPCPL is engaged in manufacturing of petroleum specialty products namely liquid paraffin, white oils and transformer oil through the process of refining imported and indigenous base oils. The products are used in pharmaceutical and cosmetics industries, except transformer oil which is used by power stations and State Electricity Boards.



## Press Release

CPCPL's manufacturing plants are located at Taloja-MIDC (Maharashtra) and Silvassa (Dadra and Nagar Haveli) with a total installed capacity of 3,00,000 MTPA (metric tonnes per annum) of liquid paraffin, transformer oil and white oils, and 5,000 MTPA of petroleum jelly as on March 31, 2021.

### Financials (Standalone):

(Rs. crore)

For the year ended/ As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	1148.43	1002.19
EBITDA	38.83	39.32
PAT	9.01	14.27
Total Debt	72.74	7.48
Tangible Net worth	158.05	171.66
<b>Ratios</b>		
EBITDA Margin (%)	3.38	3.92
PAT Margin (%)	0.78	1.42
Overall Gearing Ratio (times)	0.46	0.04

\* 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 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) and Rating(s) assigned in 2020-21	Date(s) and Rating(s) assigned in 2019-20	Date(s) and Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – Cash Credit	Long Term	75.00	IVR A+/Stable	-	-	-
2.	Short Term Bank Facility – Letter of Credit	Short Term	605.00	IVR A1+	-	-	-
3.	Short Term Bank Facility – Bank Guarantee	Short Term	5.00	IVR A1+	-	-	-



## Press Release

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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.

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### Annexure 1: Details of Instruments/ Facilities

Name of Instruments/ Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	-	-	-	75.00	IVR A+/ Stable
Short Term Bank Facility – Letter of Credit	-	-	-	605.00	IVR A1+
Short Term Bank Facility – Bank Guarantee	-	-	-	5.00	IVR A1+





## Press Release

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-columbia-apr22.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](http://www.infomerics.com).

