Columbia Petro Chem Private Limited
July 29, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term bank Facilities	75.00	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	IVR A/Stable (IVR Single A with Stable Outlook)	Upgraded	**Simple**
Short Term bank Facilities	610.00	IVR A1 (IVR A One)	IVR A1 (IVR A One)	Reaffirmed	**Simple**
Total	**685.00**	**Rupees Six Hundred and Eighty-Five Crore Only**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings (IVR) has upgraded the long-term rating to IVR A+ with a stable outlook and reaffirmed short-term rating at IVR A1 for the bank loan facilities of Columbia Petro Chem Private Limited (CPCPL).

The long-term rating upgrade takes into consideration the improvement in the scale of operations by ~21% in FY24 (Provisional) (refers to 1 April 2023 to 31 March 2024), besides lower currency fluctuation losses in FY24 (Provisional) as compared to FY23 on account of adequate hedging against foreign currency fluctuation coupled with less volatility of Indian Rupee against US Dollar in the same period and improved analysed EBITDA margins in FY24. The rating action also taken into account the adequate liquidity of the company, supported by free cash & cash equivalent and low utilization of available fund-based limits. The rating further continues to draw comfort from long track record of operations and experienced management, wide application of the products and reputed clientele, besides comfortable capital structure and debt coverage indicators. However, these rating strengths are partially offset by sub optimal profit margins of the company, susceptibility of profitability to volatility in raw material prices and risk related to foreign exchange fluctuation as raw material base oil are all imported.

The Outlook is Stable owing to improved topline and expected to remain stable in the near to medium term.

IVR has principally relied on the standalone audited financial results of CPCPL up to 31 March 2023 (refers to 1 April 2022 to 31 March 2023), provisional financials for FY24 (refers to 1 April 2023 to 31 March 2024), & projected financials from FY25 to FY27 (refers to 1 April 2024 to 31 March 2027), and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in revenues while improving the profitability margins from the current level.
- Maintaining capital structure below 1x and sustained healthy debt protection metrics

Downward Factors

- Decline in the scale of operations by more than 25% resulting in moderation of profitability indicators & and non-achievability of projections by sizeable gap.
- Any significant rise in working capital intensity or unplanned capex/outflow leading to a deterioration in the capital structure & liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record and experienced management

The company has successful long track record of operations since 1987. CPCPL is the flagship company of the Halwasiya Group, promoted by Mr. Kuldeep Halwasiya and Mr. Pradeep Halwasiya. Mr. Kuldeep Halwasiya is the Chairman and Managing Director of the company and has nearly four decades of experience and another director, Mr. Rajdeep Halwasiya has around three decades of experience in petroleum speciality products. The directors are assisted by a qualified team of professionals to take care of overall business activities.

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 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. The company has established long term relationship with reputed clientele viz. Marico Group, Dabur India Limited, Hindustan Petroleum Corporation Ltd. etc and gets repeated order.

Comfortable capital structure and debt coverage indicators

The capital structure of the company remains comfortable i.e. overall gearing & Total Outstanding Liability/Tangible Net worth stood comfortable at 0.01x (PY:0.01x in FY23) and 1.92x (PY: 2.20x in FY23) at the end of March,2024 (Provisional). The debt protection metrics continue to be comfortable marked by interest service coverage ratio of 3.83x provisional (PY:10.82). The company has no fixed term liabilities further cushioning the company ability to meets its current debt obligations. In addition to that, total debt/EBITDA ratio is comfortable at 0.31x in FY24 (Provisional) (PY:0.07x in FY23)

Improved scale of operation

The company registered improved scale of operations and achieved total operating income (TOI) of Rs.1151.23 crore in FY24 (Provisional) against Rs 948.10 crore in FY23 (PY:1130.43 crore in FY22), i.e. increased by ~21% on the back of better demand products in the industry led to improvement in products quantity sold from 1.19 lakh MT in FY23 to 1.55 lakh MT in FY24 (Provisional). The company registered sales of Rs 327.20 crore in Q1FY25.

Key Rating Weaknesses

Low profit margins

The company’s profitability margins continue to remain sub optimal though satisfactory considering the nature of business, EBITDA margins are at 2.85% in FY24 provisional against 4.44% in FY23, whereas PAT margins stood at 1.36% in FY24 provisional against

1.39% in FY23. The volatility in the margins is due to fluctuation of raw material prices such as base oil, paraffin oil etc & volatility in foreign currency. The volatility in the raw material prices will be continuing to remain key monitorable. However, there is improvement in the analysed EBITDA margins in FY24 (Provisional) (after considering the forex loss/gain as part of raw material expenses) against FY23. Analysed EBITDA margin improved from 2.09% in FY23 to 2.77% in FY24 (Provisional).

Susceptibility of profitability to volatility in raw material prices & foreign exchange fluctuation

The basic raw material required by the company is base oil, the price of which is volatile in nature. Hence, the profitability of the company is exposed to variations in raw material prices which is evident from the variable profit margins over the years. However, the same is mitigated to an extent as CPCPL has long term relations with major base oil producing refineries and has strategic tie-up in the form of long-term contracts with them for regular supplies of various grades of base oil. In addition to that, CPCPL imported around 98% & 94% of its raw material and registered sales around 16% & 15% out of total sales from exports in FY23 & FY24 (Provisional) respectively. CPCPL hedges its foreign currency exposure partially through forward contracts & natural hedging. Its unhedged exposure as on 30 June,2024 stood at Rs 24.05 crore, exposes the company to currency fluctuation risk which could result in forex currency exchange loss and thus affecting profitability.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria on assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the company is adequate marked by its sufficient cash accruals to meet its debt obligation. The average fund-based bank limit utilization remains low at around ~20%

and the average non-fund-based utilization limit stood ~80% for the last twelve months ending June,2024. The company has comfortable interest coverage ratio in FY23 & FY24 (Provisional), besides that the company has no fixed term debt obligations and has no capex plan in medium term. The company's free cash & cash equivalents are Rs 72.92 crore for the year ended March 2024 (Provisional). The current ratio for the company stood at 1.32x for FY24 (Provisional) (PY:1.35x in FY23).

About the Company

Columbia Petro Chem Private Limited (CPCPL) was incorporated in 1987, having registered office at Mumbai. The company is promoted by Kuldeep Halwasiya and it is the flagship company of the Halwasiya Group. CPCPL manufacturing various petroleum specialty products namely liquid paraffin, white oils and transformer oils through the process of refining of imported and indigenous base oils at its plant at Taloja, MIDC (Maharashtra Industrial Development Corporation) and another plant at Silvassa in Union Territory of Dadra and Nagar Havelli. The products are used in pharmaceutical and cosmetics industries, except transformer oil which is used by power stations and State Electricity Boards.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	948.10	1151.23
EBITDA^	42.14	32.75
PAT	13.19	15.70
Total Debt	2.96	10.26
Tangible Net Worth	208.17	222.73
EBITDA Margin (%)	4.44	2.85
PAT Margin (%)	1.39	1.36
Overall Gearing Ratio (x)	0.01	0.01
Interest Coverage (x)	10.82	3.83

* *Classification as per Infomerics' standards.*

^EBITDA doesn't not include other income/loss due to forex fluctuation. Analysed EBITDA margin is 2.77% in FY24 (Provisional) against 2.09% in FY23.

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (July 04, 2023)	Date(s) & Rating(s) assigned in 2022-23 (April 05,2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term bank Facilities	Long Term	75.00	IVR A+/ Stable	IVR A/ Stable	IVR A+/ Stable	-
2.	Short Term bank Facilities	Short Term	610.00	IVR A1	IVR A1	IVR A1+	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund-Based Bank Facilities -Cash Credit	NA	NA	NA	NA	75.00	IVR A+/Stable
Non-Fund Based Bank Facilities - LC/BG	NA	NA	NA	NA	610.00	IVR A1

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-columbia-july24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.