



Press Release

Heetu Chemicals and Alkalies Limited

September 12, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.00 (Increased from Rs.9.50 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	14.00 (Increased from Rs.11.00 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	25.00 (Rupees Twenty Five Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank loan facilities of Heetu Chemicals and Alkalies Limited (HCAL) derives strength from Experienced promoters and established track record of operations, substantial improvement in revenue in FY22 and relatively moderate improvement during FY23 (Provisional) and moderate financial risk profile. The ratings however constrained by low profitability margins, working capital intensive operations and high competition.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in total operating income
- Sustained improvement in profit margins
- Improvement in the capital structure with improvement in TOL/TNW
- Maintaining low operating cycle

Downward Factors

- Any decline in total operating income and/or profitability leading to deterioration in overall financial risk profile of the company



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- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and established track record of operations**

The company has an established track record of more than two decades of operations in chemical industry. The key promoter, Mr. Vivek Shah has been associated with this industry for almost three decades. HCAL benefits from its experienced management and long track record to maintain long standing relations with reputed customers such as Oil and Gas Corporation of India, Rallis India Limited, West Coast Paper Mills Private Limited, Municipal Corporation of Greater Mumbai among others and suppliers such as Gujarat Chemicals and Alkalies Limited and Dow Chemicals Company among others.

- **Substantial improvement in revenue in FY22 and relatively moderate improvement during FY23 (Provisional)**

The company had achieved revenue of Rs.285.59 crore in FY22 against Rs.165.21 crore in FY21, an increase by around 73%, due to an increase in chemical prices (mainly Chloroalkalies) coupled with structuring of existing client contracts, diversification of supplier base, entry and deeper penetration into new segments, weekly tracking and market research & analysis. HCAL's revenue has further increased by 13% to Rs.321.87 crore in FY23 as compared to Rs.285.59 crore FY22 led by increase in quantity and realisation.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate capital structure and debt protection metrics. HCAL's HCAL's TOL/TNW (including Quasi Equity) stood at 1.91 as on March 31, 2023, Prov. (2.85x as on March 31, 2022) due to increase in tangible net worth. Further, Overall gearing (including Quasi Equity) stood at 1.05x as on March 31, 2023, Prov. (1.68x as on March 31, 2022). The debt protection metrics also remained healthy with Interest coverage ratio of 2.91x in FY23 Prov. (2.88x in FY22) due to increase in EBITDA in absolute terms in FY23 Prov. Going forward, total debt to GCA improved and



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stood at 7.22x as on March 31, 2023, Prov. (13.24x as on March 31, 2022) due to increase in GCA in absolute term in FY23 Prov..

Key Rating Weaknesses

- **Low profitability margins**

The company's profitability remained low over the past three fiscals ending FY22 being trading nature of business. The operating margin remained thin, and in the range of 1.60%-1.99% during FY20-FY22. Further, the PAT margin also remained thin at 0.95%-0.94% during FY20-22. However, operating margin has improved to 2.62% along with PAT margin at 1.14% in FY23 (Provisional) mainly due to increase in the sale of higher margin specialty chemicals.

- **Working capital intensive nature of operations**

HCAL's working capital operations are intensive marked by operating cycle of 54 days in FY23. HCAL's collection period was 75 days in FY23 against 73 days in FY22. Inventory days stood at 7 days in FY23 against 7 days in FY22. The creditors days stood at 28 days in FY23 against 29 days in FY22.

- **High competition**

The company operates in a highly competitive industry with the presence of a large number of organized as well as unorganized players in India.

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Trading Companies](#)

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

Liquidity – Adequate



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The liquidity of the company is adequate with expected gross cash accruals of Rs.3.61 crore and debt repayment of Rs.0.80 crore due in FY24. Further, the company's working capital limit is almost moderately utilised with average utilisation of 43% for 12 months ending June 2023.

About the Company

Heetu Chemicals & Alkalies Limited (HCAL) was incorporated in 1990 as a public limited company. The company is engaged in trading and distribution of wide range industrial chemicals, oilfield chemicals and specialty chemicals. It also undertakes blending and repackaging of chemicals. The end user industries for its products comprise of adhesives, agrochemicals, automotive, cables, coatings, dyes, anti-rodents, electronics, food & beverages, healthcare, biosciences, inks, oil & gas, paints, pharmaceuticals and water treatment, amongst others. HCAL's headquarter is in Mumbai and it has branch offices in Bengaluru (Karnataka) and Vadodara (Gujarat). It also has a warehouse in Bhiwandi and a laboratory in Vadodara for preparing customized formulations (blending segment) for its customers. HCAL has set up a warehouse in Bengaluru. HCAL is as part of Heetu Group of companies which also includes entities like Shivaan Enterprises LLP, D I Kannia, Heena Marketing Limited, Noble House Securities & Holdings Ltd., Zen Marketing Ltd. and K-Pack Systems Pvt. Ltd.

Financials (Standalone)*:

(Rs. Crore)		
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	285.59	321.87
EBITDA	5.69	8.42
PAT	2.70	3.66
Total Debt	38.57	28.03
Tangible Net worth (including Quasi Equity)	22.98	26.64
EBITDA Margin (%)	1.99	2.62
PAT Margin (%)	0.94	1.14
Overall Gearing Ratio (times) including Quasi Equity	1.68	1.05

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil.

Any other information: None



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Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (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
Press Release					16-Jun-2022	–	–
1.	Long Term Bank Facilities – Cash Credit	Long Term	11.00	IVR BBB-/ Stable	IVR BBB-/ Stable	–	–
2.	Short Term Bank Facilities – Letter of Credit	Short Term	14.00	IVR A3	IVR A3	–	–

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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.



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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

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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
Long Term Bank Facilities – Cash Credit	–	–	–	11.00	IVR BBB-/ Stable
Short Term Bank Facilities – Letter of Credit	–	–	–	14.00	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Heetu-sep23.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.