



Press Release

Swati Menthol and Allied Chemicals Limited

December 23, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	76.17	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	287.90	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	364.07	Rupees Three Hundred Sixty-Four Crore and Seven Lakhs Only			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB with a Stable outlook and short-term rating of IVR A3+ for the bank loan facilities of Swati Menthol and Allied Chemicals Limited (SMACL).

The rating draw comfort from the experienced promoters and long track record of operations, established market position, diversified product profile and geographical presence, improved profitability margins and comfortable financial risk profile. However, these strengths are partially offset by working capital intensive nature of operations and susceptibility of profitability to raw material prices.

The 'Stable' outlook indicates improvement in scale of operations and financial risk profile. IVR believes SMACL's business risk profile will be maintained over the medium term.

IVR has principally relied on the standalone audited financial results of SMACL upto 31 March 2024 (refers to period April 1st, 2023, to March 31, 2024) unaudited 8MFY25 results and projected financials for FY2025, FY2026 and FY2027, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 620 crore and profitability margins
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 1.55x

Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established promoters and long track record of operations:**

The company was incorporated in 2001 and has a successful track record of more than 20 years in manufacturing of chemicals. Overall activities of the SMACL are looked after by seven directors with Mr. Sunrendra Kumar Gupta being the Managing Director. He has experience of around 4 decades in the existing line of business. He is ably supported by other six directors namely, Mr. Nitin Kumar Gupta, Mr. Sanchit Gupta, MS. Geeti Gupta, Ms. Sushma Gupta, Ms. Sudha Gupta who have effective experience in current line of business as well as supported by qualified and well experienced management team. Their healthy relationships with suppliers and customers to continue to support the business.

- **Established market position:**

The company maintains a strong market position both in the domestic and international markets, with exports contributing around 61% of revenue over the four fiscals ended March 31, 2024. The product portfolio is diversified as the company operates under four divisions, i.e., mint, pine, aroma and camphor. Going forward, any significant improvement in scale of operations will remain a key monitorable.

- **Diversified product profile and geographical presence:**

The company manufactures 53 products, including menthol crystals, peppermint oil, terpinol, eucalyptus oil, and aroma chemicals, which are found in the pharmaceutical, food, tobacco, cosmetics, and paint industries. The company is dealing multinational companies like Reckitt Benckiser, Henkel, Wrigley, Dabur India, Asian Paints, Emami, Glaxo Smith, Proctor & Gamble etc. Their products are sold in PAN India. Also, the company is exporting its products to countries like USA, Netherlands, China, Singapore, Indonesia, Germany, Brazil, Mexico, Saudi Arabia, Spain etc.

- **Comfortable financial risk profile:**



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The tangible networth improved to Rs. 197.19 crore in FY2024 from Rs. 189.20 crore in FY2023. Overall gearing stood comfortable at 1.68x in FY2024. In terms of the debt protection metrics, the interest service coverage ratio (ISCR) and debt service coverage ratio (DSCR) stood at 1.51x and 1.23x respectively in FY2024.

- **Improved profitability margins:**

The operating profitability and net profit margins have improved to 8.57% and 1.55% respectively in FY2024, as compared to 7.02% and 0.55% respectively in FY2023, due to better margins from few products and improved operational efficiencies.

Key Rating Weaknesses

- **Working capital-intensive nature of operations:**

SMACL's operations are working capital intensive in nature, supported largely by bank borrowings. The average utilization of fund based, and non-fund based working capital limits of the company stood high around 93.14% and 86.18% respectively during the last 12 months ending 30th November 2024. They have an elongated operating cycle of 317 days in FY2024 (FY2023:291 days) mainly due to the high inventory period of 237 days in FY2024 (221 days in FY2023). The inventory is high due to nature of industry.

- **Susceptibility of profitability to raw material price volatility:**

The company is exposed to volatility in raw material prices. The prices of these raw materials are highly volatile and can lead to volatility in the profitability margins. However, this risk of volatility in prices is partially mitigated by the company's longstanding relations and understanding with clients on the price front. The industry is fragmented and there is significant competition among the players in the industry due to which their bargaining power is limited. As a result, the profitability margins of the company are susceptible to the volatility in raw material prices.

Analytical Approach: For arriving at the ratings, IVR has analysed SMACL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
[Criteria for assigning Rating outlook.](#)
[Policy on Default Recognition](#)
[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 16.14 crore, as on 31st March 2024. Against a current portion



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of long-term debt (CPLTD) of Rs 6.28 crore in FY2024, the company had a cash accrual of Rs. 14.40 crore in FY2024. The company projected to generate cash accruals of Rs. 18.39 crore in FY2025 against a CPLTD of Rs. 6.36 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Entity

Swati Menthol and Allied Chemicals Limited (SMACL) was set up as a private limited company by Mr. SK Gupta in 1990 and reconstituted as a public limited company in 2001. The company has a well-diversified product portfolio which is broadly categorized in 4 business line namely, Mint Products, Pine Chemicals, Essential and Aromatic Oils and Camphor. They have 3 manufacturing units located in Rampur, Uttar Pradesh. It is Government of India recognized 3-star export house.

Financials (Standalone):

(Rs. crore)		
For the year ended as on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	546.23	515.04
EBITDA	38.35	44.16
PAT	3.03	7.99
Total Debt	338.77	331.68
Tangible Networth	189.20	197.19
EBITDA Margin (%)	7.02	8.57
PAT Margin (%)	0.55	1.55
Overall Gearing Ratio (x)	1.79	1.68
Interest Service Coverage Ratio (x)	1.62	1.51

Status of non-cooperation with previous CRA: It is under ISSUER NOT COOPERATING Category with CRISIL Ratings via press release dated 29th November 2024 due to lack of information and cooperation.

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	76.17	IVR BBB/Stable	-	-	-
2.	Fund Based	Short Term	195.80	IVR A3+			
2.	Non-Fund Based	Short Term	92.10	IVR A3+	-	-	-

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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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	-	64.46	IVR BBB/Stable
Term Loan-GECL	-	-	May 2026	0.91	IVR BBB/Stable
Term Loan-GECL	-	-	Oct 2026	10.80	IVR BBB/Stable
PC/FBD/EPC	-	-	-	169.00	IVR A3+
SLC	-	-	-	26.80	IVR A3+
ILC/FLC	-	-	-	76.10	IVR A3+
CEL/LER	-	-	-	16.00	IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-swati-menthol-dec24.pdf>

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

Annexure 4: List of companies considered for consolidated/combined analysis: Nil

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.