



Press Release

Chemi Tech Engineers Private Limited

February 06, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	107.35* (enhanced from 74.00)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB-/ Negative ISSUER NOT COOPERATING^ (IVR Double B minus with Negative Outlook Issuer Not Cooperating)	Rating upgraded and removed from Issuer Not Cooperating category; Outlook revised from Negative to Stable	Simple
Short Term Bank Facility	0.80	IVR A3 (IVR A Three)	IVR A4 ISSUER NOT COOPERATING^ (IVR A four Issuer Not Cooperating)	Rating upgraded and removed from Issuer Not Cooperating category	Simple
Total	108.15 (INR one hundred eight crore and fifteen lakh only)				

[^] Issuer did not cooperate; based on best available information

*The cash credit facility rated in the previous year amounting to Rs.74.00 crore (sub limits being bank guarantee and letter of credit rated in the previous year amounting to Rs. 80.65 crore) has been withdrawn at the request of the company and 'No Due Certificate' received from the lender and is in line with Infomerics policy on withdrawal.

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

Earlier Infomerics had continued the ratings of Chemi Tech Engineers Private Limited (CTEPL) into Issuer Not Cooperating category vide its press release dated 29th May 2024, due to non-submission of information required for detailed review of the company. However, the company started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the ratings.

Infomerics has upgraded the ratings assigned to the bank facilities of CTEPL considering the significant improvement in the topline and profits during FY24 (refers to the period 1st April



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2023 to 31st March 2024). The ratings also continue to drive strength from experienced promoters, setting up of a new manufacturing unit, and strategic location of the plant. However, these rating strengths are partially constrained by the fact that CTEPL has leveraged capital structure, raw material price risk, competitive and fragmented nature of industry, and working capital intensive nature of operations marked by elongated receivable period.

The long-term rating outlook remains Stable as the company will continue to benefit from long track record of operations and the extensive experience of the promoters.

Infomerics has also withdrawn the long term rating of 'IVR BB-/ Negative ISSUER NOT COOPERATING' and short term rating of 'IVR A4 ISSUER NOT COOPERATING' assigned to the cash credit, bank guarantee and letter of credit facilities of CTEPL with immediate effect. The withdrawal has been taken at the request of CTEPL and 'No Due Certificate' received from its lender, Bank of Baroda. The rating is withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

Key Rating Sensitivities:

Upward Factors

- Improvement in the scale of operations and profitability on a sustained basis
- Improvement in the capital structure marked by overall gearing ratio

Downward Factors

- Elongation in the operating cycle on a sustained basis.
- Any incremental borrowings leading to a deterioration in the capital structure.
- Stretch in liquidity position on a sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Significant improvement in the topline and profits during FY24

The company's topline has increased by a CAGR of ~8% from INR 198.94 crore during FY21 (refers to the period 1st April 2020 to 31st March 2021) to INR 249.74 crore during FY24. The increase is on account of increase in sales volume. Further, the company has achieved a total operating income of INR 197.94 crore in 9MFY25 (refers to the period 1st April 2024 to 31st December 2024).



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Along with the increase in topline, the company's profitability also witnessed similar trend. EBITDA and PAT increased from INR 4.01 crore and INR 2.05 crore respectively during FY21 to INR 13.80 crore and INR 2.72 crore respectively during FY24. This increase in EBITDA and PAT was on account of increase in total sales along with improvement in margins. EBITDA and PAT margins improved from 2.02% and 1.01% respectively during FY21 to 5.52% and 1.09% respectively during FY24 due to the sale of goods at a significant markup over the purchase price. Apart from this the company benefits from sales of its manufactured goods which generates higher margins with respect the traded goods.

Experienced promoters

The company is promoted by Mr. Darshan Lal Gupta (MD) who has an industry experience of more than three decades in chemical trading. He has an extensive knowledge of chemical industry particularly in solvent, paint, ink & packaging industry. Extensive experience of the promoter underpins the business risk profile of the company and supports it to develop established relationship with its customers. Further, the directors and upper management of the company are well supported by an experienced team of professionals.

Reputed and diversified Clientele and suppliers

The company has well established relations with various reputed companies like Dhampur Sugar Mills Limited, KLJ Resources Limited, Miwon Sepcialty Chemicals Co. Limited, and Covestro (India) Private Limited etc. Further, the company's clientele is well diversified with top 5 customers comprising only around 14.04% of the total revenues during FY24.

Setting up of a new manufacturing unit

The company set up a manufacturing plant at Bharuch, Gujarat for manufacturing of Adhesive, paints, ink and LED coating with a total installed capacity of 33600 MTPA. The total cost of the project was INR 24.47 crore which was funded through term loan of INR 16.34 crore, capital infusion of INR 1.15 crore and internal accruals of INR 6.98 crore. The plant began its commercial production from June 2024. The company within a span of 3-4 years has plans to completely shift into manufacturing unit. It also is also planning to directly enter into foreign markets. The company has already begun to supply goods to some African countries; however, it is very marginal presently.

Strategic location of the plant



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Bharuch is close to major chemical manufacturing hubs, which is crucial for sourcing raw materials for adhesives, paints, and inks production. This proximity can reduce transportation costs and lead times. Moreover, Bharuch is strategically located in the industrial belt of Gujarat, with excellent connectivity to major cities like Ahmedabad, Surat, and Mumbai through road, rail, and waterways. This facilitates easy movement of raw materials and finished goods

Key Rating Weaknesses

Leveraged capital structure

The capital structure of the company stood leveraged. Total debt increased to INR 77.02 crore as on 31st March 2024 on account of availing fresh term loans for setting up of manufacturing plant at Bharuch, Gujarat. Tangible net worth, because of healthy accretion of profits, stood at INR 35.39 crore as on 31st March 2024. This change in capital structure led to slight moderation in overall gearing ratio and stood at 2.36 times as on 31st March 2024 against 2.17 times as on 31st March 2023. Moreover, long term debt equity ratio stood at 0.62 times as on 31st March 2024 moderating slightly from 0.56 times as on 31st March 2023.

Raw material price risk

Some of the key raw materials used in manufacturing and trading activities of the company are derivatives of crude oil. Crude oil has exhibited considerable volatility in the past on account of various reasons. Any adverse fluctuation in crude oil prices going forward may impact the profitability of CTEPL. However, this risk is mitigated to a certain extent as the prices of purchases and sales are fixed in advance. Hence any increase in cost largely passed on to the company's customers.

Competitive and fragmented nature of industry

The adhesives and chemicals industry in India is highly fragmented, due to the presence of a large number of small-scale units leading to high competition in the industry. The company faces intense competition from the reputed players in the industry.

Working capital intensive nature of operations marked by elongated receivable period

The operating cycle of the company stood moderate at 113 days in FY24 vis-à-vis 98 days in FY23 (refers to the period 1st April 2022 to 31st March 2023). CTEPL is required to maintain an adequate inventory of raw materials to cater the immediate demand of its customers,



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resulting in an average inventory holding period of 90 days in FY24. Due to its presence in a highly competitive nature of the industry, CTEPL normally extends credit period of around 3-4 months to its customers, resulting in an average collection period of 83 days in FY24. Further, the company receives credit period of around 2-3 months from its domestic suppliers. Also, imports purchases are backed by the Letter of Credit (LC) with usance period normally up to 120 days. This resulted in average creditors period of 60 days in FY24.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies.](#)

[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](#)

[Policy On Withdrawal of Ratings](#)

Liquidity – Adequate

The company had a comfortable current ratio of 1.29x as on 31st March 2024. Current ratio is expected to remain between 1.27x-137x between 31st March 2025 and 31st March 2027. Moreover, the GCA for the projected period comfortably covers the debt repayment obligations of that particular period. The average utilisation of fund based working capital limits was ~80% between Dec 2023 and Nov 2024. No capex is planned for the projected period which gives liquidity cushion.

About the company

CTEPL, a family-owned chemical trading business specializing in monomers and solvents used in coatings and packaging, partially transitioned to manufacturing in 2018 with a 24,000 MT per annum facility in Sonipat, Haryana. Building on this, CTEPL launched a second, larger manufacturing unit in Bharuch, Gujarat, in December 2023, adding 26,400 MT capacity for adhesives, 6,000 MT for paints/inks, and 1,200 MT for LED coating. Marketing its products across India under the "Frolic" brand, CTEPL is strategically shifting from trading to manufacturing, expanding its portfolio to include water-based inks, paints, and PU adhesives.



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A manufacturing partnership with Jenson and Nicholson Paints further strengthens its position, while CTEPL also plans to enter the export market.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	243.70	249.74
EBITDA	9.72	13.80
PAT	2.61	2.72
Total Debt	63.27	77.02
Adjusted Tangible Net Worth	29.13	32.70
EBITDA Margin (%)	3.99	5.52
PAT Margin (%)	1.07	1.09
Overall Gearing Ratio (x)	2.17	2.36
Interest Coverage (x)	1.61	1.66

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

Brickworks ratings has continued the ratings in the Issuer Not Cooperating category vide its press release dated 6th February 2024 due to non-submission of information by the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	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
					(May 29, 2024)	(Apr 27, 2023)	-	(Feb 25, 2022)
1.	Term Loan	Long Term	15.35	IVR BBB-/Stable	-	-	-	-
2.	Cash Credit	Long Term	92.00*	IVR BBB-/Stable	IVR BB-/Negative ISSUER NOT COOPERATING^	IVR BB-/Negative ISSUER NOT COOPERATING^	-	IVR BB+/Stable
3.	Forward Contract	Short Term	0.80	IVR A3	-	-	-	-



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Sr · N o.	Name of Security/Fa cilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type (Long Term/S hort Term)	Amount outstan ding (Rs. Crore)	Ratin g	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021- 22
					(May 29, 2024)	(Apr 27, 2023)	-	(Feb 25, 2022)
4.	Letter of Credit	-	-	Withdr awn	IVR A4 ISSUER NOT COOPE RATING^	IVR A4 ISSUER NOT COOPERA TING^	-	IVR A4+
5.	Bank Guarantee	-	-	Withdr awn	IVR A4 ISSUER NOT COOPE RATING^	IVR A4 ISSUER NOT COOPERA TING^	-	IVR A4+

*ILC/FLC of INR 87.00 crore is a sublimit of CC

^ Issuer did not cooperate; based on best available information

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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.



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

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or 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: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Mar 2031	15.35	IVR BBB-/ Stable
Cash Credit	-	-	-	-	92.00*	IVR BBB-/ Stable
Forward Contract	-	-	-	-	0.80	IVR A3
Letter of Credit	-	-	-	-	(74.00)**	Withdrawn
Bank Guarantee I	-	-	-	-	(5.00)**	Withdrawn
Bank Guarantee II	-	-	-	-	(1.65)**	Withdrawn

*ILC/FLC of INR 87.00 crore is a sublimit of CC

**Submits

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-chemitech-feb25.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.