



## Press Release

### Chemrow India Private Limited (CIPL)

April 08, 2025

#### Ratings

| Instrument / Facility                     | Amount (Rs. crore)                            | Current Ratings   | Previous Ratings  | Rating Action     | <a href="#">Complexity Indicator</a> |
|---|---|---|---|-------------------|--------------------------------------|
| Long-Term Fund Based Bank Facilities      | 5.00  | IVR BB+/ Stable (IVR Double B Plus with Stable Outlook) | IVR BB+/ Stable (IVR Double B Plus with Stable Outlook) | Rating Reaffirmed | Simple                               |
| Short-Term Non-Fund-Based Bank Facilities | 35.00   | IVR A4+ (IVR A Four Plus)                               | IVR A4+ (IVR A Four Plus)                               | Rating Reaffirmed | Simple                               |
| <b>Total</b>                              | <b>40.00</b><br><b>(Rs Forty crores only)</b> |   |   |                   |                                      |

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

#### Detailed Rationale

Infomerics Ratings has reaffirmed ratings of IVR BB+/Stable, IVR A4+ to the bank facilities of Chemrow India Private Limited (CIPL). The ratings derive strength from extensive experience of promoters, moderate scale of operations coupled with low gearing. However, these rating strengths are partially offset by exposure to volatility in EVA/PVC prices and forex rate, thin profitability margin and fragmented nature of the industry.

The 'Stable' outlook for CIPL is supported by the promoters' extensive experience with strong client base coupled with low financial leverage.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis
- Improvement in working capital management

##### Downward Factors

- Significant drop in operating income and/or profitability on a sustained basis



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- Deterioration in the capital structure marked by overall gearing of over 1.00x.
- Moderation in liquidity position with elongation in operating cycle

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of the promoters**

C IPL is led by Mr. Manish Sharma and Mr. Ashish Sharma. With 25 years of industry experience, Mr. Manish Sharma, along with Mr. Ashish Sharma, has been instrumental in driving the company's success. Mr. Ashish Sharma is specifically responsible for overseeing all technological innovations within the company. Together, the two promoters bring over two decades of expertise in the industry, offering a deep understanding of market dynamics. Their strong relationships with both suppliers and customers are key assets that are expected to strengthen and sustain the business.

- **Moderate scale of operations and low gearing**

C IPL reported a total income of Rs. 172.08 crore in FY24 (refers to the financial year from 1<sup>st</sup> April to 31<sup>st</sup> March), reflecting a marginal increase of 0.53% from Rs. 171.16 crore in FY23. The company's financial risk profile is characterized by a moderate capital structure and debt protection metrics. As of March 31, 2024, the company's TOL/TNW (net adjusted) ratio stood at 2.82x, improving from 3.38x in the previous year due to loan repayments. The overall gearing, improved to 0.56x as of March 31, 2024, from 0.70x in FY23. However, the debt protection metrics remain moderate, with the interest coverage ratio declining to 1.19x in FY24 from 1.96x in FY23, mainly due to higher finance costs in FY24. For FY25, the company is expected to report a decline in revenues to around Rs.125 crore to Rs.130 crore due to moderation in EVA and PVC prices, despite the company having achieved an increase in total volumes sold in the year. The steady decline in EVA and PVC prices in FY24 and FY25 is attributed to the correction in prices after having peaked immediately after the Covid period. Consumption had peaked in the FY21-FY23 period because of which raw material prices were also high, which have since corrected to pre-Covid levels.



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### Key Rating Weaknesses

- **Exposure to volatility in EVA prices and forex rate**

The prices of PVC resins, EVA, and plastic granules remain volatile, and the company does not enter into price agreements with its suppliers or customers, leaving its profitability exposed to price fluctuations in these materials. Additionally, since a significant portion of the company's procurement is sourced from the international market, fluctuations in foreign exchange rates can impact procurement costs and accruals, further exposing the operating margin to forex rate fluctuations. CIPL tends to avail forward cover on the USD of up to 30 days if rates are favorable, else the position is kept open, thereby exposing the company to FX volatility

- **Thin profitability margin and fragmented nature of the industry**

The EVA, PVC resin, and plastic granules trading industry is highly competitive and fragmented, driven by low entry barriers, minimal capital requirements, and the commodity nature of the products. This has led to a proliferation of both small and large traders across the country, intensifying competition and resulting in very thin profit margins. These traders cater to the raw material requirements of the 5000+ small scale footwear manufacturing units in India, mostly concentrated in the Delhi-NCR region. CIPL's profitability is constrained as a result, with its PAT margin at 0.78% in FY24 (0.82% in FY23). The low initial investment and straightforward business model have contributed to the emergence of numerous smaller players, further fragmenting the market and putting downward pressure on operating and net margins.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)



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### Complexity Level of Rated Instruments/Facilities

#### **Liquidity – Adequate**

CIPL has earned a gross cash accrual of Rs.1.46 crore in FY24. Further the company is expected to earn a gross cash accrual in the range of ~Rs. 1 to 1.50 crores annually as against its debt repayment obligations around ~Rs.0.45 during FY25. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average fund-based utilisation of the company remained high at ~85.38% of Rs. 8.00 crore limits during the past 12 months ended December 2024 indicating low cushion.

#### **About the Company**

Chemrow India Private Limited (CIPL) was established in 1997. The main head office is in Jhandewalan, New Delhi with supporting units spread in National Capital Region (NCR). The company engages in the trading business. The company mainly imports and trades in Ethylene-Vinyl Acetate (EVA), PolyVinyl Chloride (PVC) resin, and plastic granules which is used to manufacture footwear, particularly slippers. CIPL distributes its products primarily within the domestic region, catering to areas such as Delhi/NCR.

#### **Financials (Standalone):**

| For the year ended/ As on* | (Rs. crore) |            |
|----------------------------|-------------|------------|
|                            | 31-03-2023  | 31-03-2024 |
|                            | Audited     | Audited    |
| Total Operating Income     | 170.65      | 170.72     |
| EBITDA                     | 3.06        | 3.53       |
| PAT                        | 1.40        | 1.33       |
| Total Debt                 | 10.74       | 9.48       |
| Tangible Net Worth         | 15.45       | 16.78      |
| EBITDA Margin (%)          | 1.79        | 2.07       |
| PAT Margin (%)             | 0.82        | 0.78       |
| Overall Gearing Ratio (x)  | 0.70        | 0.56       |
| Interest Coverage (x)      | 1.96        | 1.19       |

\* Classification as per Infomerics' standards.

Note: TOI and EBITDA in FY23 has changed in comparison to the press release dated February 09,2024 on account of financial being restated and reclassified by the management.



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**Status of non-cooperation with previous CRA:** CARE has maintained the ratings of Chemrow India Private Limited in the 'Issuer not cooperating' category vide its press release dated September 25, 2024, due to non-availability of information for monitoring of the rating

CRSIL has migrated the ratings of Chemrow India Private Limited in the 'Issuer not cooperating' category vide its press release dated March 28, 2024, due to non-availability of information for monitoring of the rating

**Any other information:** None

### Rating History for last three years:

| Sr. No | Name of Security/Facilities | Current Ratings (Year 2025-2026) |                                |                        | Rating History for the past 3 years       |   |   |
|--------|-----------------------------|----------------------------------|--------------------------------|------------------------|---|---|---|
|        |                             | Type (Long Term/Short Term)      | Amount outstanding (Rs. Crore) | Rating<br>Apr 08, 2025 | Date(s) & Rating(s) assigned in (2024-25) | Date(s) & Rating(s) assigned in (2023-24)<br>Feb 09, 2024 | Date(s) & Rating(s) assigned in (2022-23) |
| 1.     | Cash Credit                 | Long Term                        | 5.00                           | IVR BB+/<br>Stable     |   | IVR BB+/<br>Stable  | -   |
| 2.     | Letter of Credit            | Short Term                       | 35.00                          | IVR A4+                |   | IVR A4+   | -   |

### Analytical Contacts:

Name: Sudarshan Shreenivas

Tel: (022) 62396023

Email: [Sudarshan.shreenivas@infomerics.com](mailto:Sudarshan.shreenivas@infomerics.com)

### About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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





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### Annexure 1: Facility Details

| Name of Facility | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------|------|------------------|------------------|---------------|------------------------------|--------------------------|
| Cash Credit      | -    | -                | -                | -             | 5.00                         | IVR BB+/ Stable          |
| Letter of Credit | -    | -                | -                | -             | 35.00                        | IVR A4+                  |

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-chemrow-apr25.pdf>

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



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**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](http://www.infomerics.com).

