

Press Release**Chemtrade Overseas Private Limited****May 15, 2019****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Fund Based Limits	5.00	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)
2.	Short Term Non-Fund Based Limits	20.00	IVR A4+ (IVR A Four Plus)
	Total	25.00	

Details of Facilities are in Annexure 1**Detailed Rationale**

The rating derives strength from experience promoters and management, increasing scale of operation and diversified product portfolio. The rating however is constrained by high gearing level, working capital intensive operation, exposure to foreign exchange fluctuation and intense competition in chemical industry. Business growth, profitability and gearing levels are the key rating sensitivities.

Outlook: Positive

The positive outlook reflects likelihood of improvement in revenue, operating profitability and capital structure of the company. The outlook may be revised to "Stable" if the aforesaid improvement does not occur timely as envisaged.

List of key rating drivers with detailed description**Key Rating Strengths****Experienced promoters and management**

The company is carrying out its business in chemical industry since 1992 i.e. more than two decades. Mr. Ashish Kirtikumar Shah and Mr. Jatin Bhupendra Shah have vast industry experience in chemical trading since they are associated with the company from its incorporation. Mr. Ashish Kirtikumar Shah and Mr. Jatin Bhupendra Shah are assisted in the day-to-day operations with a team of experienced professionals having relevant industry

experience. The promoters are supported by a strong management team to carry out its business.

Increasing scale of operation

The companies operating income show increasing trend since FY2015. The revenue has been increased from Rs. 488.31 crores in FY 2017 to Rs. 645.33 crores in FY 2018.

Diversified product portfolio

Chemtrade has diversified product portfolio as it serves various industries which reduces the dependency of sale of its products in a particular industry.

Key Rating Weakness

Moderate gearing level

The capital structure of the company remained leveraged with the overall gearing ratio at 0.43x as on March 31, 2018. TOL/ Adjusted TNW was high at 7.33x.

Working capital intensive operation

The companies operating cycle stood at 12 days, as inventory days of 26 days and collection days of 94 days are largely supported by creditors of 108 days.

Exposure to foreign exchange fluctuation

The company imports around 30%-35% of its raw material requirements exposing the company to foreign exchange risk. The company generally does not hedge its forex exposures. Thus, the company is exposed to volatility in foreign exchange.

Intense competition in chemical industry

The chemical industry is competitive with various dominating players in market the industry is expose to foreign exchange risk, if appropriate measure are not take to hedge the risk. Also on account of its trading nature of business, the entry barriers are low, leading to stiff competition for the company.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity

The company is able to generate adequate cash accruals and so liquidity profile seems satisfactory in the long run. The company does not have any major term debt repayment in the near-term.

About the Company

Chemtrade Overseas Private Ltd (COPL) was incorporated in November 2007. Prior to that it was operating as a proprietorship since 1992. The day to day affairs of the entity are managed by Mr. Ashish Shah and Mr. Jatin Shah. They are second generation entrepreneurs with long term experience of working in the chemicals and solvents business. COPL is an importer, indenter and trader of specialty chemicals and solvents used by various industries like pharmaceuticals, petrochemicals, paints & coatings and others. The company imports and trades in bulk solvents like Methanol, Esitone, acrylate etc. The company has hired storage tanks at various ports for the same. The company has registered office at Mumbai.

Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	488.31	645.33
EBITDA	4.07	6.16
PAT	1.08	2.39
Total Debt	5.93	4.38
Tangible Networth	7.78	10.17
EBITDA Margin (%)	0.83	0.95
PAT Margin (%)	0.22	0.37
Overall Gearing Ratio (x)	0.76	0.43

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits	Long Term	5.00	IVR BB+/ Positive Outlook	--	--	--
2.	Non Fund Based Limits	Short Term	20.00	IVR A4+	--	--	--

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Fund Based Limits	--	--	On demand	5.00	IVR BB+/Positive Outlook
Short Term Non Fund Based Limits	--	--	90 Days	20.00	IVR A4+