



## Rating Rationale

Luna Chemicals Industries Private Limited

4 Feb 2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 69.55 Crores of Luna Chemicals Industries Private Limited (LCIPL or The company).**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (October, 2017)	Present
Fund based	54.62	48.90	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmed
Non Fund Based	20.65	20.65	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) Reaffirmed
<b>Total</b>	<b>75.27</b>	<b>69.55</b>	<b>INR Sixty Nine Crores And Fifty Five Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

## Ratings: Reaffirmed

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, experience and track record of the promoters of Luna Chemicals Industries Private Limited (LCIPL), established customer base and order book position providing medium term revenue visibility.

However the rating is constrained by profitability susceptible to raw material price fluctuation and fragmented nature of the industry.

Going forward, the ability of the company to execute the orders in a timely manner and to improve revenue and profitability would be the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- Year on year improvement in net-worth, revenue, profits and coverage indicators.
- Over the years of operation company has established business relationship with customers and receives repeat orders from the same.
- Company's product profile includes acetic anhydride, acetanilide flakes and anhydrous Ethanol which find uses in diversified industries such as petrochemicals, oils and paints.

### Credit Risks:

- Since raw material cost is a major portion of the manufacturing expenses, any adverse movement in the price of raw materials may impact the profitability.
- Indian chemical manufacturing industry is highly fragmented with numerous players resulting in intense competition. Further, the chemical industry is also marked by the presence of various stringent laws and regulations.
- Subdued performance of the group company, Gama Infraprop Pvt Ltd in which LCIPL has a substantial investment.

## Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## Rating Outlook: Stable

BWR believes the **Luna Chemicals Industries Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## About the Company

Luna Chemical Industries Private Limited (LCIPL), located in New Delhi, was incorporated on 15th October 1997. The company has three manufacturing units located in Gujarat. The company is managed by Mr. R L Goyal and his sons, Mr. Rahul Goyal and Mr. Raman Goyal.

## Company Financial Performance

LCIPL has registered a net profit of Rs. 5.00 Crores on a revenue of Rs. 284.41 Crores for FY 17-18 as against a net profit of Rs. 4.53 Crores on a revenue of Rs. 228.62 Crores for FY 16-17. The company's net worth is Rs. 110.64 Crores as on 31.03.2018.



As on 31.03.2018, LCIPL has an equity investment of Rs. 68.38 Cr (17.55% equity stake) and has granted loans amounting to Rs. 41.11 Cr to a group concern namely Gama Infraprop Pvt Ltd.

### Rating Sensitivity

Eventhough LCIPL's individual performance has improved it has exposure to a group company, Gama Infraprop Pvt Ltd. (GIPL) whose performance is subdued. The loans granted to this company is coming back (Rs. 8.37 Crs in FY17-18) and company has informed that the full amount would be returned in the coming four to five years. Going forward the receipt of return on equity and timely repayment of debt as well as improvement in financial performance of GIPL along with the ability of the LCIPL to execute the orders in a timely manner and to improve revenue and profitability would be the key rating sensitivities.

### Liquidity profile

The liquidity position of the company is marked by current ratio of 1.32 times on March 31, 2018. Cash and bank balances as on 31.03.18 is Rs. 6.20 Crs. Apart from that Rs. 0.83 Crs is kept as fixed deposits held as margin against bank guarantee. Cash accrual for FY17-18 is Rs. 10.93 Cr. Principal repayment due in FY 18-19 is Rs. 3.14 Crs.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	09, Oct, 2017	2016	2015
1	Fund Based Cash Credit FCNR B PC cum PCFC FBP/FBD/FCBP/ FCBD Term loan BP/BD	Long Term	39.35 (10.00) (5.00) (5.00)	BWR BBB- (Pronounced as BWR Triple B Minus (Stable)	BWR BBB- (Pronounced as BWR Triple B Minus (Stable)	-	-
			8.55 1.00				
2	Non Fund Based LC BG	Short Term	15.65 5.00	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three)		
	<b>Total</b>		<b>69.55</b>	<b>₹ Sixty Nine Crores And Fifty Five Lakhs Only</b>			



Status of non-cooperation with previous CRA (if applicable) - Crisil has assigned rating of CRISIL BB (Stable)/A4+ Issuer not cooperating on 02.11.17 ; Ratings was later withdrawn on 23.03.18 with rating of CRISIL BB (Stable)/A4+ Issuer not cooperating.  
 Any other information - NA

**Key Financial Indicators**

Key Parameters	Units	2018	2017
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	Rs. Cr	284.41	228.62
EBITDA	Rs. Cr	21.72	23.19
PAT	Rs. Cr	5.00	4.53
Tangible Net worth	Rs. Cr	110.64	100.96
Total Debt/Tangible Net worth	Times	0.50	0.69
Current Ratio	Times	1.32	1.33

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Bal Krishna Piparaiya</i> <i>Senior Director-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	



#### **For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

#### **Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

#### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.