

## Rating Rationale

Unimax Chemicals Pvt. Ltd.

31 March 2020

**Brickwork Ratings downgrades the long term rating and reaffirms the short term rating for the Bank Loan Facilities of ₹. 25.76 Crores of Unimax Chemicals Pvt. Ltd.**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous** (Jan 2019)	Present
<b>Fund based</b>					
Term Loan	10.11	8.76	<b>Long Term</b>	<b>BWR BB+</b> (Stable)	<b>BWR BB</b> (Stable) <b>(Downgraded)</b>
Cash Credit	1.00	1.00			
PC/PCFC/FBP/FBD/FCBP/FCBD	6.00	6.00			
<b>Non Fund based</b>					
Letter of credit	10.00	10.00	<b>Short Term</b>	<b>BWR A4+</b>	<b>BWR A4+</b> <b>(Reaffirmation)</b>
<b>Total</b>	<b>27.11</b>	<b>25.76</b>	<b>INR Twenty Five Crores and Seventy Six Lakhs Only</b>		

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

Complete details of Bank facilities is provided in Annexure-I

\*\* The rating was migrated to Rating Not Reviewed category Jan 2020

### RATING ACTION/ OUTLOOK

BWR has downgraded the Long Term rating of Unimax Chemicals Pvt. Ltd. to BWR BB /Stable and reaffirmed the Short Term Rating BWR A4+ .

The outlook is Stable on account of extensive experience of promoters , established market position in API products , moderate Networth in FY19 and expected to grow in FY20.

The rating continues to factor in the promoters' experience in the same line of industry, moderate OPM, moderate Net Worth and established long term relationship with customers and suppliers.. However, the rating is constrained by low liquidity position , high gearing ratio, low ISCR &

DSCR , tender based nature of business and product concentration risk **as a major** part of sales revolves around Erythromycin.

## **KEY RATING DRIVERS**

BWR principally relied upon audited financials upto FY19 , projection upto FY21 and publicly available information and information / clarification provided by the management.

### **Credit Strengths:**

- Existence in business for more than 2 decades. Promoters having experience of more than 2 decades in the pharma industry.
- Established market position in API products backed by a strong marketing network. Having exposure to more than 10 countries.
- Established long term relationships with customers and suppliers who themselves are well established.
- Moderate Operating profit margin level to 4.05 % in FY19 from 2.96 % in FY18 .
- Moderate net worth of around Rs 17.40cr in FY19 considering the existence in business of around 2 decades.

### **Credit Concerns:**

- Low Liquidity Position with C. R at 1.02 in FY19 from 1.11x in FY18.
- High gearing ratio reflected by 1.87 x in FY19 as against 0.99 x in FY18.
- Negative PAT margins to (1.67) % in FY19 from 4.6% in FY18 and declining sales to Rs. 45.46 in FY19 from Rs.63.86 in FY18.
- ISCR reduced to 0.55x in FY19 from 1.08x in FY18 and DSCR reduced to 0.61x in FY19 from 1.79x in FY18& is showing a downward trend for the last 3 years.
- Intense competition and fragmented nature of industry.
- Tender based business nature of business.
- Product concentration risk as a major part of sales revolves around Erythromycin.
- Customer concentration risk and supplier concentration risk as top 5 customers and suppliers constitute greater than 85% of total purchases/sales.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

Going forward, the ability of the entity to accelerate its scale of operations, increase its profit margins, compliance of bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive or rating may be upgraded if the company is able to sustain its growth and profit margins. Any additional infusion of share's capital would help to improve its capital structure of the company.

Negative: The rating outlook may be revised to negative or rating may be downgraded if the company achieves lower revenue and profit margins than projected.

## **LIQUIDITY POSITION: Stretched**

The cash and cash equivalents of Unimax Chemicals Pvt. Ltd. stands at Rs 0.05 Cr in FY19. The current ratio of the company stands at 1.02 x in FY19. The average utilisation of working capital stood at 40% level.

## **COMPANY PROFILE**

M/S Unimax Chemicals Pvt Ltd was incorporated in 1995 as a private limited company which is engaged in manufacturing antibiotics. The company is promoted by Mr. Yashwant Shah, Mr. Piyush Shah, Mr.Kaushik Shah and Mr.Brijesh Shah. The promoters have an experience of around 2 decades in the pharmaceutical industry. The company majorly manufactures Erythromycin based products which are exported to European, South Asian and African markets.

## **KEY FINANCIAL INDICATORS**

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	45.46	63.86
EBITDA	₹ Cr	1.84	1.89
PAT	₹ Cr	(0.76)	2.78
TNW	₹ Cr	17.40	18.16
Total Debt/TNW	Times	1.87	0.99
Current Ratio	Times	1.02	1.11

**KEY COVENANTS OF THE FACILITY RATED: NA**  
**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:NA**

#### RATING HISTORY

Facilities	Current Rating 2020			Rating History						
	Current Rating			30 Jan 2019	2018	06 Nov 2017				
Bank Loan	FB	15.76	BWR BB+ Stable (Downgraded)	FB	17.11	BWR BB+ Stable (Reaffirmed)	Not Rated	FB	17.11	BWR BB+ Stable (Assigned)
	NFB	10.00	BWR A4+ (Reaffirmed)	NFB	10.00	BWR A4+ (Reaffirmed)		NFB	10.00	BWR A4+ (Assigned)

#### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

#### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)

- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Services Sector](#)

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## ANNEXURE I

### Unimax Chemicals Pvt. Ltd. Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	<b>Fund Based:</b> Bank of Baroda	Term Loan Cash Credit PC/PCFC/FBP/FB D/FCBP/FCBD	8.76 1.00 6.00	-	<b>15.76</b>
2.	<b>Non Fund Based:</b> Bank of Baroda	Letter of Credit	-	10.00	<b>10.00</b>
<b>TOTAL</b>					<b>25.76</b>

**Rupees Twenty Five Crores and Seventy Six Lakhs Only**

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