

Bhimani Chemicals Private Limited

January 06, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	12.00	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Reaffirmed
Short Term Bank Facilities	5.00	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	17.00 (₹ Seventeen Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Bhimani Chemicals Private Limited (BCPL) continue to derive strength from the extensive experience of its promoters in the chemical trading industry, established relationships with key suppliers, diversified clientele along with its presence in the chemical cluster of Gujarat. Further, the ratings also derive comfort from moderate capital structure & debt coverage indicators along with adequate liquidity during FY22 (Audited, refers to the period April 01 to March 31) and H1FY23 (Provisional, refers to the period April 01 to September 30).

The ratings, however, continue to remain constrained by BCPL's moderate scale of operations with thin operating profitability inherent to trading nature of operations, susceptibility of its profitability to volatility in prices of traded chemicals as well as foreign exchange rate fluctuations and its presence in a highly competitive and fragmented chemical trading industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Volume driven growth in scale of operations supported by product diversification, with a single product concentration falling below 30%
- Sustained improvement in operating profit (PBILDT) margin above 3% while maintaining its lean working capital cycle

Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant decline in scale of operations or any adverse change in sourcing arrangement with key suppliers, impacting company's already thin profitability
- Deterioration in overall gearing beyond 1.50x, on a continued basis
- Elongation in working capital cycle beyond 45 days and increase in reliance on bank borrowings to fund the same

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters: BCPL is presently managed by third generation of the Bhimani family, Mr. Bhavin Bhimani, Mr. Jignesh Bhimani and Mr. Parin Bhimani. Mr. Jignesh Bhimani has more than a decade of experience in the chemical trading business and looks after the day-to-day operations. He is supported by his brothers, Mr. Bhavin Bhimani, who looks after the international operations and Mr. Parin Bhimani, who handles the finance and administration functions of the company.

Established relationship with key suppliers and a diversified customer base: BCPL primarily trades in soda ash, LAB, sodium bicarbonate, STPP and AOS among others. Out of these, soda ash and LAB are the key products of BCPL constituting 66% of BCPL's net sales in FY22 (P.Y.: 64%) depicting product concentration. BCPL procures these chemicals from industry leaders such as GHCL Ltd., Nirma Ltd., Aarti Surfactants Limited and BASF India Ltd. and has a long-standing relationship with them which provides some assurance in terms of supply of these chemicals. Furthermore, the customer base of BCPL is well diversified, with top five customers contributing around 22% of its net sales in FY22 (P.Y.: 23%). BCPL supplies chemicals to players in various industries including detergents, dyes and intermediates and ceramics in the domestic as well as export markets.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate capital structure and debt coverage indicators: BCPL had a moderate capital structure with overall gearing of 1.24x as on March 31, 2022. Major portion of debt (~64%) was in the form of unsecured loans from related parties and corporates. Overall gearing improved marginally from 1.50x as on FY21 end due to reduction in outstanding unsecured loans from related parties and corporates and lower utilisation of working capital borrowings as on March 31, 2022. Debt coverage indicators continued to remain moderate with PBILDT interest coverage of 2.34x (P.Y.: 1.94x) and total debt/ GCA of 9.51x (P.Y.: 16.38x) in FY22. Overall gearing stood at 1.02x as on September 30, 2022.

Location advantage due to presence in chemical cluster of Gujarat; albeit high degree of competition: BCPL operates from Ahmedabad, Gujarat and has a storage facility in near the city. It derives locational advantage by way of its presence in the chemical cluster of Gujarat in terms of its proximity to customers as well as suppliers. However, the company faces stiff competition from large number of small & medium sized trading entities present in Gujarat with no product differentiation.

Key rating weaknesses

Moderate scale of operations with thin profitability: During FY22, BCPL's scale of operations improved marked by Total operating Income (TOI) of Rs.395.56 crore (P.Y.: Rs.254.34 crore). The improvement in scale was on account of improved volume of chemicals traded as well as improved sales realisation across all product categories during FY22, which further improved during current fiscal. As per H1FY23 provisional results, BCPL reported net sales of ~Rs.246 crore.

BCPL's operating profit (PBILDT) margin continued to remain thin at 0.97% in FY22 (1.08% in FY21) inherent to trading nature of operations. With almost stable depreciation and marginally higher interest cost, BCPL reported net profit of Rs.1.92 crore in FY22 (Rs.1.07 crore in FY21). PBILDT margin & PAT Margin of the company stood at 0.19% and 0.21% respectively as on September 30, 2022.

Susceptibility of profitability to price volatility and foreign exchange rate fluctuations: BCPL is exposed to the inherent risk associated with volatility in the prices of traded goods. However, majority of the purchase done by BCPL is orderbacked, which mitigates the exposure to price volatility to that extent. Also, BCPL imports certain chemicals, which makes its profitability susceptible to fluctuation in foreign exchange rates since it keeps its forex exposure unhedged. However, the exports of the company provide natural hedge against foreign exchange rate fluctuation risk.

Liquidity: Adequate

BCPL had adequate liquidity marked by a comfortable operating cycle, low utilization of working capital limits and no major long-term debt with scheduled repayment.

Operating cycle improved marginally and remained comfortable at 20 days in FY22 from 28 days in FY21. As on March 31, 2022, out of total receivables of Rs.46.90 crore, Rs.8.35 crore was outstanding for more than 6 months due to extended credit period required to be offered to the customers considering the pandemic. However, no issues with regards to recovery of these receivables is expected. Inventory holding continued to remain minimal at 5 days as BCPL places back-to-back orders with buyers & suppliers whereby the price fluctuation risk is mitigated to some extent. Average utilization of working capital limits was almost nil for 12 months ended November 2022.

BCPL had nominal outstanding debt (in the form of vehicle loan) of Rs.0.11 crore as on FY22 end. The company had invested ~11% of its networth (Rs.1.53 crore) as on March 31, 2021, in its group entity, Bhimani Dyechem Industries (BDI); which has been fully recouped as on October 10, 2022. Presently, there is no plan of any further investments towards this entity.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

[Policy on Withdrawal of Ratings](#)

About the company

Ahmedabad-based BCPL, incorporated in 2001, is promoted by Mr Bhavin Bhimani, Mr Parin Bhimani and Mr Jignesh Bhimani. The company is engaged in trading of chemicals such as soda ash, linear alkyl benzene (LAB), sodium bicarbonate, sodium tripoly phosphate (STPP) and alpha olefin sulfonate (AOS) which it procures from reputed suppliers including GHCL Ltd. and Nirma Ltd. The chemicals traded by BCPL find application across industries such as dyes & dye intermediates, soaps & detergents, and speciality chemicals. BCPL's storage facility is located at Narol near Ahmedabad.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (Prov.)
Total operating income	254.34	395.56	246.26
PBILDT	2.73	3.86	0.46
PAT	1.07	1.92	0.52
Overall gearing (times)	1.50	1.24	1.02
Interest coverage (times)	1.94	2.34	3.45

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	5.00	CARE A3
Non-fund-based - LT/ ST-Letter of credit		-	-	-	1.00	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-Letter of credit		-	-	-	11.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT/ ST-Letter of credit	LT/ST*	11.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (06-Jan-22)	1)CARE BBB-; Stable / CARE A3 (05-Jan-21)	1)CARE BBB-; Stable / CARE A3 (04-Dec-19)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	5.00	CARE A3	-	1)CARE A3 (06-Jan-22)	1)CARE A3 (05-Jan-21)	1)CARE A3 (04-Dec-19)

3	Non-fund-based - LT/ ST-Letter of credit	LT/ST*	1.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (06-Jan-22)	1)CARE BBB-; Stable / CARE A3 (05-Jan-21)	1)CARE BBB-; Stable / CARE A3 (04-Dec-19)
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*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
2	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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