

Yasho Industries Limited

June 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three) and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3 (A Three) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Detailed Rationale and Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB-; Stable/CARE A3' [Triple B minus; Outlook: Stable/A Three] assigned to the bank facilities of Yasho Industries Limited(YIL) with immediate effect. The above action has been taken at the request of YIL. and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record and experienced promoters

YIL was founded by Mr. Vinod Jhaveri (Whole Time Director) in 1992 as Vasu Preservatives Private Limited. Family members of Mr. Vinod Jhaveri are involved in the operations of YIL with Mr. Parag Jhaveri being the Chairman and Managing Director of YIL. Mr Parag Jhaveri has over 3 decades of experience in the chemicals industry. He looks after the overall management of the company and is supported by a team of professionals. Under the promoters' leadership, over the past two decades, YIL has transformed from a manufacturer of aroma and speciality chemicals to a publicly listed diversified manufacturer of chemicals broadly classified into food anti-oxidants, rubber accelerators, lubricants, aroma and speciality chemicals having a diversified geographic presence.

Diversified product portfolio and end user applications coupled with wide geographic reach

YIL manufactures a diverse product portfolio. The rubber range (used in manufacturing of tyres, conveyor belts etc.), Aroma range (used in personal care products and fragrances) and the Antioxidant range (used in edible oils, animal feeds etc.) are the key contributors to Total Operating Income followed by the speciality chemicals and Lubricant chemicals. With a diversified product profile, YIL is distanced from risks pertaining to any particular industry ensuring stability in revenue streams. Further, exports constituted 62% of Total Operating Income in FY21 (57% in FY20). YIL has presence across diverse export markets such as the USA, United Kingdom, Iran, Australia, South Africa, Singapore, Germany, UAE etc. which further enhances the diversification benefit.

Improvement in Operating Performance

YIL reported increase in its TOI by 23% during FY21 driven by improved export sales and demand for rubber chemicals from auto industry. YIL was able to improve upon its operating profit margin which witnessed expansion of over 170bps for FY21. Improved operating profit margin was attributed to change in product mix towards to high margin yielding products. Increase in Exports sales also helped company achieve improved performance in FY21 despite Covid-19 impact. Gross cash accruals too improved in congruence to operating profit margin and higher depreciation.

Key Rating Weaknesses

Moderate leverage indicators; albeit coverage indicators improved

The overall gearing as on March 31, 2021 stood at 2.51 times as against 3.93 times as on March 31, 2020. Despite improvement, the overall gearing continues to remain elevated. The interest coverage (PBILDT/interest) improved from 2.75x in FY20 to 3.60x in FY21. The total debt as on March 31, 2021 has decreased to Rs.161.06 crore from Rs.167.86 crore on March 31, 2020 on account of schedule repayment of loan term loan. Since the capital expenditure has been completed, incremental cash flows are expected to lead to improvement in YIL's debt coverage indicators going forward.

Working capital intensive nature of operations

YIL has maintain sufficient inventory is required to meet customer orders in a timely manner and limit the exposure to raw material price fluctuations. Since key raw materials are imported and are subject to price volatility, YIL has limited bargaining power against its suppliers thus creating the need to maintain sufficient inventory. Limited bargaining power against suppliers also leads to limited ability to stretch payables.

Exposed to volatility in raw material prices and forex risks

Since, the majority of the raw materials are crude oil derivatives; YIL is exposed to volatility in raw material prices. Apart from the crude oil based commodities, YIL is also vulnerable to clove oil price volatility (used in aroma chemicals). The company is also exposed to foreign exchange risk. Natural hedge partly mitigates forex fluctuation risks, but risks continue due to exist due to timing mismatches that may arise.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Rating Methodology - Manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

[Short Term Instruments](#)

About the company:

Yasho Industries Limited (YIL) was initially setup by Mr. Vinod Harilal Jhaveri in 1992 as Vasu Preservatives Private Limited and it commenced operations in 1993; the company was renamed Yasho Industries Pvt Ltd in 1996 and then changed to Yasho Industries Limited in February, 2018. YIL operates in the Business-to-Business (B2B) segment, manufacturing a variety of chemicals that can be broadly classified as, Food Antioxidants, Rubber Accelerators, Lubricant Additives, Aroma chemicals and Speciality chemicals. YIL's products are used as intermediates in end user industries of pharmaceuticals, construction, industrial machinery, food, flavours & fragrance. YIL has three manufacturing units with a total manufacturing capacity of 9200 Metric Tonnes Per Annum (MTPA) as on August 31, 2020.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total Operating Income	300.28	369.52
PBILDT	42.91	59.09
PAT	12.05	21.48
Overall Gearing (times)	3.93	2.51
Interest coverage (times)	2.75	3.60

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	-	-	-	1)CARE BBB-; Stable / CARE A3 (28-Sep-20)	1)CARE BBB-; Stable / CARE A3 (11-Oct-19) 2)CARE BBB-; Stable / CARE A3 (16-Sep-19)	1)CARE BBB-; Stable / CARE A3 (24-Jul-18) 2)CARE BBB-; Stable / CARE A3 (03-Jul-18)
2.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A3 (28-Sep-20)	1)CARE A3 (11-Oct-19) 2)CARE A3 (16-Sep-19)	1)CARE A3 (24-Jul-18) 2)CARE A3 (03-Jul-18)
3.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB-; Stable (28-Sep-20)	1)CARE BBB-; Stable (11-Oct-19) 2)CARE BBB-; Stable (16-Sep-19)	1)CARE BBB-; Stable (24-Jul-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT/ ST-CC/Packing Credit	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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