Calpro Specialities Private Limited

June 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	59.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	15.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable / CARE A4+ (Double B Plus ; Outlook: Stable / A Four Plus) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**74.00 (Rs. Seventy-Four Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Calpro Specialities Private Limited (CSPL) to monitor the rating(s) vide email communications/ letters dated June 01, 2022, May 31, 2022, May 23, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Calpro Specialities Private Limited's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-receipt of information and hence CARE is not able to conduct appropriate analysis.

Detailed description of the key rating drivers

At the time of last rating on June 25, 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Working capital intensive nature of operations: The operations of CSPL are working capital intensive in nature with majority of funds blocked in inventory and debtors. CSPL has long and established customer relationships with reputed and leading market players of the industry, to whom it extends a credit period of up to 45-60 days (as per industry standards) depending on the products being offered. The collection period of the company stood at 39 days during FY21 (provisional) as against 44 days during FY20. The inventory holding period of the company also remained high at 55 days during FY21 (provisional) (PY: 66 days) as with the lead time required for the import of products in the trading segment, the company maintains sufficient inventory of 30-45 days with additional inventory requirements for milk and dairy products leading to high raw material inventory. The entire sourcing of milk is done domestically from the local farmers or aggregators, whereby the credit period remains short at 5 to 7 days. Thus, with the shorter credit period being received and comparatively longer credit terms being extended owing to the competitive nature of industry coupled with the inventory requirements, the operations of the company remain working capital intensive with the operating cycle of 76 days during FY21 (provisional) as compared to 80 days during FY20. The operations of the company are funded largely through working capital facilities.

Risk related to foreign exchange fluctuation: CSPL imports various preservatives required in food products from countries like Singapore, Germany, Malaysia, Canada etc. The company sources its raw material to manufacture Calcium Propionate locally and imports various other food additives and preservatives. Thus, the profitability margins of CSPL are exposed to fluctuations in the exchange rate movements with the major purchases being met through imports with no export sales being made. The company hedges its position through forward contracts to the extent of 70%-80%. During FY21 (provisional), the company incurred foreign currency gain of Rs. 0.77 crore (PY: Rs. 0.57 crore).

Competition from the organized and unorganized sector: CSPL faces competition in the trading and dairy segment from other established brands in the organized market. The competition gets fiercer with presence of unorganized players leading to pricing pressures. Other major dairy companies are also entering into the manufacturing of value-added milk products on account of increasing demand in the domestic market.

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

Key Rating Strengths

Experienced promoters: The company is promoted by Mr Arun Kumar Agarwal, who has more than 3 decades experience in manufacturing of food preservatives and enzymes. He is assisted by his sons, Mr. Amit Agarwal who looks after imports and purchase for the company and Mr. Ayush Agarwal, who is responsible for the sales and marketing of the products. The company has diversified its portfolio by investing in manufacturing of dairy products from October 2019. The directors are being supported by qualified and experienced personnel at middle and lower levels of management, assisting them in day-today operations.

Diversified product portfolio with reputed clientele: The product portfolio of the company includes a variety of preservatives, emulsifiers, enzymes, pectin, and stabilizers used in the food and beverages industry. With the introduction of dairy business and setting up new plant in Kosi Kalan manufacturing milk in October 2019, the product portfolio of the company has further diversified with the production of dairy products such as butter, ghee, SMP etc. FY20 was the first full year of operations of the plant, whereby it generated revenues of Rs. 82 crore (43% of total revenue). During FY21, the dairy plant contributed ~33% to the total revenue from operations. The company had incurred total capex of Rs. 18 crore on the dairy plant during FY20 and FY21.
The company has long and established customer relationships with the leading industry players like Britannia, ITC, GSK, HealthKart, Perfetti Van Melle, Hindustan Unilever Ltd, Jubilant, Davars, Kemin, AB Mauri, Anmol, Harvest Gold etc. The company has established relationships with leading players like Silva Team of Italy and Caravan Ingredients of USA for import of pectin (jam). It has tied exclusively with Meggle of Germany for products like whey powder, lactose, whey protein concentrate (WPC), fat powders, coffee Creamer, foamer and sodium caseinate. With the repeat orders of the existing products and expansion of the product portfolio to offer new products to the existing clients, the company has witnessed continued traction from large clients, which has helped it to expand its scale of operations. The wide product portfolio will also continue to insulate growth prospects from a decline in demand for any particular product.

Moderate Financial Risk Profile: During FY18-FY21, the scale of operations of CSPL has grown at a CAGR of ~30%. During FY21 (provisional), CSPL registered a growth of 30% in its total operating income at Rs. 245.71 crore as compared to Rs. 189.46 crore during FY20. The same was largely on account of repeat orders of distribution of existing product portfolio of preservatives from the clients and first full year of operations of manufacturing of dairy products. However, the PBILDT margin of the company declined to 6.34% during FY21 (provisional) as compared to 6.47% during FY20 on account of the low yields accrued in the new portfolio of dairy products to acquire and retain clients, and higher cost of operations with the acquisition of new dairy plant. The PAT margin of the company, however, remained stable at 2.58% (PY: 2.53%) during FY21 (provisional).
The overall gearing of the company stood at 3.11x as on March 31, 2021 (provisional) as compared to 2.92x as on March 31, 2020, which stood at 2.80x as on March 31, 2019. The total debt of the company of Rs. 79.46 crore (PY: Rs. 56.02 crore) as on March 31, 2021 (provisional) comprises of the secured loans from banks of Rs. 12.31 crore (PY: Rs. 9.90 crore), unsecured loans from related parties for Rs. 8.39 crore (PY: Rs. 7.98 crore) and working capital borrowings (cash credit, bill discounting and buyer's credit) for Rs. 58.76 crore (PY: Rs. 38.14 crore). During FY20 and FY21, the company availed additional secured and unsecured loans for the refurbishment and further expansion of the dairy plant leading to increase in the overall gearing. The debt protection metrics of the company stood moderate at interest coverage and total debt / GCA ratio of 2.93x (PY: 3.36x) and 9.22 years (PY: 8.12 years) in FY21 (provisional) respectively.

Liquidity Profile: Adequate
The liquidity profile of CSPL is adequate with current ratio of 1.13x (PY: 1.14x) and cash and cash equivalents of Rs. 6.75 crore as on March 31, 2021 (provisional) (PY: Rs. 4.37 crore). CSPL availed moratorium for the scheduled payments and interest servicing from its lenders for its bank facilities (term loans and CC limits) as part of COVID-19 - Regulatory Package announced by the RBI on March 27, 2020 for the period March 2020 to May 2020. The operations of the company remain working capital intensive on account of lower credit period being extended by the creditors and higher credit period offered to the customers. The company provides a credit period of around 45-60 days to the customers, however, has to make payments to its vendors for the purchase of preservatives and milk within 18-22 days. The operations of the company are funded largely through working capital facilities. CSPL has the sanctioned working capital limits of Rs. 59.60 crore for the business operations. The utilization of the fund-based limits stood at ~97% at a maximum level and ~91% at the average level for the last 12 months ending February 2021.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Rating Methodology- Manufacturing Companies
Criteria for Short Term Instruments

About the Company
Calpro Specialities Private Limited (CSPL) was incorporated in 1989 and is engaged in manufacturing and trading of food preservatives. The company was promoted by Mr. Arun Kumar Agarwal having three decades of experience in the preservatives industry. CSPL started operations from Sohna plant manufacturing Calcium Propionate and importing bakery preservatives from International players for distribution in India. The company also started manufacturing dairy products at Kosi Kalan (U.P) in 2019. Apart from preservatives, other dairy items like ghee, butter, lactose and caseinate are sold in India.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	9MFY2022
Total operating income	189.46	245.71	NA
PBILDT	12.26	15.59	NA
PAT	4.79	6.34	NA
Overall gearing (times)	2.92	3.11	NA
Interest coverage (times)	2.93	2.83	NA

A: Audited; P: Provisional; NA: Not Applicable

Status of non-cooperation with previous CRA: CRISIL vide its PR dated March 15, 2022 have reviewed the ratings for the bank facilities of CSPL under the 'Issuer not Cooperating' category, based on best available information.

Any other information: Not Applicable

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

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	May 2025	14.40	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	44.60	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC		-	-	-	15.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	14.40	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (25-Jun-21)	-	-
2	Fund-based - LT-Working Capital Limits	LT	44.60	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (25-Jun-21)	-	-
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	15.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (25-Jun-21)	-	-

*Issuer did not cooperate; Based on best available information

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 instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-BG/LC	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 instrument: CARE Ratings Ltd. 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 CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at** www.careedge.in