Diach Chemicals & Pigments Private Limited

April 12, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	21.60	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	11.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	**32.60 (Rs. Thirty-Two Crore and Sixty Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 05, 2020, placed the rating(s) of Diach Chemicals & Pigments Private Limited (DCPPL) under the 'issuer non-cooperating' category as DCPPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. DCPPL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated March 25, 2021; March 30, 2021 & April 02, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

Detailed description of the key rating drivers

At the time of last rating on March 05, 2020 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies)

Key Rating Weaknesses

Reputed clientele albeit concentration risk & low bargaining power

DCPPL's customers include reputed industrial battery manufacturing entities. However, the company is exposed to customer concentration risk, as ~89% of revenue for FY18 accounted from Exide Industries Ltd resulting in low bargaining power. However, long standing relationship with Exide Industries Ltd ensures healthy orders and stable revenue. Moreover, to mitigate with such risk company is diversifying its customer base through exports in Bangladesh, Korea, Vietnam, Singapore, etc.

Low profitability along with moderate financial risk profile

The PBILDT margin and PAT margins deteriorated to 1.69% and 0.26% in FY19 vis-à-vis 2.05% and 0.54% in FY18, respectively. The debt equity ratio and overall gearing ratio of the company is 0.05x and 2.03x as on March 31, 2019 vis-à-vis 0.04x and 5.18x as on March 31, 2018. However, the debt equity and overall gearing ratios are not comparable as the total debt as on March 31, 2019 is exclusive of LC and Bill Discounting (on account on unavailability of the outstanding balances of the same as on March 31, 2019) while total debt as on March 31, 2018 is inclusive of LC and bill discounting. In FY20, the PBILDT & PAT margins have improved to 2.43% and 0.60%. Further, overall gearing stood at 1.75x as on March 31, 2020 while debt equity continued to remain stable. The TD/GCA has improved from 10.52x in FY19 to 6.85x in FY20 and Interest coverage ratio remained stable.

Profitability vulnerable to raw material price fluctuation

DCPPL does not have any lead ore mines and manufactures refined lead through the secondary recycling process. Hence, it is completely dependent on the supply of raw lead/discarded battery scrap from the open market. Since the raw material (lead scrap) for which prices are linked to the prevailing London Metal Exchange prices, revenue and operating margins remain susceptible to changes in lead prices, as these are highly volatile in nature.

Adherence to strict pollution control norms

Lead, which is a highly toxic and polluting material, is the primary raw material in manufacturing batteries. Hence handling lead requires adherence to strict pollution-control norms and companies have to incur additional costs for managing the environmental impacts of the material.

Key Rating Strengths

Experienced promoters & long track record of operations in lead manufacturing industry

Diach Chemicals & Pigments Pvt Ltd (DCPPL) was incorporated on September 2004 under Mr. Diach Ghosh and his son Mr. Dipak Ghosh. The promoters have around two decades of experience in the lead manufacturing industry. The day to day affairs of the company is looked after by Mr. Dipak Ghosh.

Satisfactory scale of operations in a fragmented industry

DCPPL is operating in a fragmented industry marked by presence of several players which indicates low entry barriers. However, with an installed capacity of 37480 MT for Refine & Antimonial lead ingots and 21003 MT for Lead ingot from Rotary furnace and with an operating income of Rs. 357.18 cr for FY18, DCPPL has attained satisfactory scale of operations of having several players in the Eastern Region. The company supplies 2000 MT per month out of Exide Industries Ltd total requirement of 35000 MT per month in Eastern region. DCPPL's total operating income increased at a CAGR of 25.15% to Rs.357.18 cr between FY16-FY18 on account of increased demand from Exide Industries Ltd. However, the scale of operations of the company in FY19 vis-à-vis FY18 remained at similar level. The company reported a turnover of Rs. 358.62 crore in FY19 as against Rs. 357.18 crore in FY18. In FY20, the turnover has declined to Rs 308.54 crore

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook & Credit watch to Credit Ratings
CARE's Policy of Default Recognition
Liquidity Analysis of Non-financial sector entities
Financial ratios – Non-Financial Sector
Rating Methodology -Manufacturing Companies
Criteria for Short Term Instruments

About the Company

Diach Chemicals and Pigments Private Limited (DCPPL) was incorporated on 08 September 2004 by Mr. Diach Ghosh and his son, Mr. Dipak Ghosh to set up a manufacturing unit of lead alloys and lead-based products such as red lead, refined lead, antimonial lead and grey oxide. The manufacturing facility is located at Dhulagarh, West Bengal and it commenced operations in 2009. The installed capacities for Refine & Antimonial lead ingot is 37,480 MT and 21,003 MT per annum for Lead ingot from Rotary furnace. The products find applications in battery, paint, glass and ceramic industry.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	358.62	308.54
PBILDT	6.08	7.49
PAT	0.94	1.85
Overall gearing (times)	2.03^	1.75^
Interest coverage (times)	1.44	1.69

A: Audited

^exclusive of LC backed acceptances & Bill discounting as their outstanding balances as on March 31, 2019 & March 31, 2020 are not available.

Status of non-cooperation with previous CRA: ICRA had placed the ratings of DCPPL under 'Issuer Not Cooperating' category vide PR dated December 30, 2020**.**

Any other information: Not Applicable

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

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-Cash Credit	-	-	-	21.60	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	3.50	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Packing Credit in Indian rupee	-	-	-	6.50	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 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-Cash Credit	LT	21.60	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (05-Mar-20)	1)CARE BB; Stable (08-Mar-19)
2.	Non-fund-based - ST-Letter of credit	ST	3.50	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (05-Mar-20)	1)CARE A4+ (08-Mar-19)
3.	Non-fund-based - ST-Bank Guarantees	ST	1.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (05-Mar-20)	1)CARE A4+ (08-Mar-19)
4.	Fund-based - ST-Packing Credit in Indian rupee	ST	6.50	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (05-Mar-20)	1)CARE A4+ (08-Mar-19)

**Issuer did not cooperate; Based on best available information*

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - ST-Packing Credit in Indian rupee	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple
4.	Non-fund-based - ST-Letter of credit	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.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Group Head Name- Anil More
Group Head Contact no.- 033-4018 1623
Group Head Email ID- anil.more@careratings.com

Relationship Contact
Name- Lalit Sikaria
Contact no.- 033- 4018 1607
Email ID- lalit.sikaria@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.