

## Royal Castor Products Limited

March 08, 2024

Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Fixed Deposit	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. (CARE Ratings) had, vide its press release dated March 26, 2018, placed the ratings of Royal Castor Products Limited (RCPL) under the 'issuer not-cooperating' category as RCPL 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. RCPL continues to be non-cooperative despite repeated requests for submission of information through numerous phone calls and emails dated November 01, 2023, November 06, 2023 and November 20, 2023.

In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information (including results available for financial year ended March 31, 2023 as available from Ministry of Corporate Affairs Website) which however, in CARE's Ratings' 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).**

**Analytical approach:** Standalone.

**Outlook:** Stable

### Detailed description of the key rating drivers

At the time of last rating on December 12, 2022, the following were the rating strengths and weaknesses (updated for the available information):

#### Key weaknesses

##### **RCPL's exposure to agro-climatic risks for its castor oil based products along with volatility in castor oil prices and forex rates**

Refined castor oil which is the major raw material (~50-60% of total cost) for RCPL is an agri-commodity produce, hence vulnerable to agro-climatic risks. Further, the castor seed market has also witnessed volatility in recent years, with increase in its applications in various chemicals, including industrial and automotive lubricants, pharmaceuticals and cosmetics. This exposes RCPL to the volatility in prices of castor oil. Further, RCPL earns around half of its revenue from exports, both for bulk products and value added products, which exposes it to fluctuation in forex rates. However, the company has a natural hedge to a certain extent by way of imports, although the balance exposure is largely kept un-hedged as per the management policy.

#### **Elongated working capital cycle**

The working capital cycle of RCPL marked by gross operating cycle days (inventory and debtors) has inherently remained elongated; albeit some improvement over the past five years from 95 days during FY19 to 77 days during FY23.

#### **Customer Concentration Risk**

RCPL's export sales, contribute roughly around 50% to its revenue, is concentrated towards few large players. Further, for domestic sales around 30% of the revenue is contributed from specific derivatives manufactured under agreement with Mitsui Chemicals India Private Limited (MCIPL). This exposes RCPL to high customer concentration risk.

### Key strengths

#### **Experienced and resourceful promoter group**

The Standard Greases (SG) Group, one of the promoter groups of RCPL, has a wide experience of more than three decades in the industrial and automotive lubricants business through Standard Greases & Specialties Pvt. Ltd. (SGSPL), which is primarily engaged in contract manufacturing of lubricants apart from selling them under its own private label. SGSPL is also the largest shareholder in Tide Water Oil Limited (TWOL), which has established presence in the domestic lubricants market through its 'Veedol' and 'Eneos' brands.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Established operations in various specialty chemicals that find diverse applications

RCPL has an established track record of operations of more than two decades in the chemical industry which it initiated with castor oil based derivative products used primarily in lubricants, cosmetics, pharmaceuticals and coatings industry. Over the last few years, it has diversified into non-castor oil based chemicals, including polyamides and other specialty chemicals under chemipearl group of chemicals. During FY23, the TOI of RCPL witnessed growth of around 8% to ₹697.47 crore as against FY22. However, its PBILDT margin improved to 11.89% in FY23 (FY22: 9.60%) despite volatility in raw material prices.

### Long-term arrangements with key customers for off-take of products reducing the saleability risk

RCPL had arrangements with Kusumoto Chemicals Limited, Japan (KCL) for production of polyamides, which KCL sells in the open market. RCPL also had an arrangement with Mitsui Chemicals India Private Limited (MCIPL) for manufacturing of specialty chemicals under its Chemipearl brand. These marketing arrangements offset the saleability risk for RCPL to a large extent. In addition to these, RCPL also has established its customer base in India as well as in select overseas markets through direct exports.

### Comfortable capital structure and debt coverage indicators

RCPL's capital structure was comfortable with a healthy net-worth base and prudent utilization of working capital bank borrowings. The net worth of the company stood at ₹269.60 crore as on March 31, 2023, as against total debt of ₹55.68 crore (including fixed deposits of ₹22.83 crore) resulting into an overall gearing of 0.21 times. Moreover, its debt coverage indicators i.e. interest coverage and total debt to GCA remained stable and comfortable as on March 31, 2023.

### Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

### About the company and industry

#### Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

Incorporated in August 1994, Sidhpur (Gujarat) based RCPL is engaged in manufacturing of various speciality chemicals which find application in various industries including packaging, inks, textiles, agro-chemicals, lubricants, cosmetics and pharmaceuticals. RCPL was promoted jointly by Mumbai based Standard Greases (SG) group and Sidhpur based Patel group. SGSPL, the flagship entity of SG group is engaged in manufacturing lubricating oil and greases. SGSPL is also the largest shareholder in TWOL which is engaged in manufacturing of industrial and automotive lubricants under the 'Veedol' and 'Eneos' brands.

Brief Financials (₹ crore)*	FY22 (A)	FY23 (A)
Total operating income	649.61	697.87
PBILDT	62.37	83.00
PAT	39.05	49.35
Overall gearing (times)	0.36	0.21
Interest coverage (times)	10.87	8.93

A: Audited; Prov.: Provisional; \*Financials available from the website of Ministry of Corporate Affairs

Note: 'the above results are latest financial results available'

### Status of non-cooperation with previous CRA:

In absence of requisite information from the company (RCPL), ICRA, Brickwork Ratings and Acuite Ratings & Research Limited have maintained the ratings assigned to the bank facilities and fixed deposit of the company under issuer not cooperating vide their press releases dated October 11, 2023, May 11, 2023 and August 21, 2023 respectively.

**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.

**Complexity level of various instruments rated:** Please refer Annexure-4

**Lender details:** Please refer Annexure-5

#### 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
Fixed Deposit	-	-	Not more than 12%	Repayable on demand	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### 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 2023-2024	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
1	Fixed Deposit	LT	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*		1)CARE BB+; Stable; ISSUER NOT COOPERATING* (12-Dec-22) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Jun-22)	1)CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* (28-Sep-21)	1)CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* (01-Jul-20)

\*Issuer did not cooperate; based on best available information.

#LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments:** Not applicable.

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple

#### Annexure-5: Lender details

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

**Annexure-6: List of all the entities consolidated:** Not applicable.

**Note on the 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](mailto:care@careedge.in) for any clarifications.

## Contact us

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**About us:**

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