

Buckman Laboratories (India) Private Limited

September 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	12.00	CARE BBB+; Negative / CARE A2	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to Buckman Laboratories (India) Private Limited (BLI) reflect long-standing operational track record of the Buckman group and a robust distribution network across India. The company maintains comfortable gearing and debt coverage indicators. However, ratings are constrained by factors such as its moderate scale of operations, deterioration in profitability, its presence in a competitive and fragmented industry, and a notable reliance on imports and exposure to forex fluctuations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Steady increase in scale of operations with total operating income (TOI) over ₹150 crores.

Negative factors

- Deteriorating profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to below 3%.
- Significant expansion in its operating cycle.

Analytical approach: Standalone

Outlook: Negative

The outlook is negative on the expected pressure on operating margins with entry into the new business lines of water treatment chemicals, where operating overheads are expected to temper margins till the business scales up amidst a slowdown in other segments. The outlook will be revised to stable in case the company recoups operating margin to earlier levels with scaling up of businesses.

Detailed description of key rating drivers:

Key strengths

Long and well-established operational track record of the Buckman group

BLI operates as part of the Buckman group, a global entity with a presence in over 90 countries and 10 manufacturing sites. BLI is a closely held private limited company, with 99.99% ownership by Bulab Holdings Inc., the controlling entity for all Buckman's affiliated businesses worldwide. The remaining 0.01% ownership belongs to Buckman Laboratories, Singapore (BLSg). Over time, the group continually developed numerous chemicals, amassing ~4,000 patents across diverse sectors, including paper technologies, leather technology, water technologies, ethanol production, oil and gas, power and utilities, and performance chemicals.

Comfortable gearing and debt coverage indicators

BLI's debt requirements have consistently remained quite low. As of December 31, 2023, the company maintained zero overall gearing and its credit lines remained unutilised for the year ended December 31, 2023.

Well-established distributor network across India with reputed customer base

BLI maintains a diverse product line serving across industries through a network of distributors. The paper and pulp sector is well-structured, whereas the leather industry lacks organised players. BLI collaborates with a major distributor for the paper and

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

pulp industry, 13 leather industry distributors in places including Kanpur, Jalandhar, Kolkata, Chennai, and three distributors for water-treatment chemicals. With over 15 years in the business, BLI has cultivated strong customer relationships, resulting in a substantial number of repeat orders. The company stations its personnel at client locations to ensure timely service. BLI consistently adds new customers annually, mitigating concentration risk.

Key weaknesses

Decline in scale of operations and moderation in profitability

BLI exclusively serves as the marketing arm for Bulab Holdings Inc. and does not engage in manufacturing activities. The company specializes in trading chemicals with applications spanning the paper and pulp industry, leather industry, water treatment sector, and related industries. BLI also offers consulting and support services tailored to its customers' specific needs.

In CY23, TOI declined by 12.20%, attributable to decline in sales volumes in the leather segment and lower realisations in paper and pulp segment. PBILDT margin reduced to 1.48% (PY:9.08%) owing to increase in employee expenses to ₹15.89 crore (PY: ₹9.99 crore) and sharp increase in legal and professional fee and charges.

While material costs account for 52.48% of the total cost, other major component is a large payout in terms of trademark fee, patent fee, marketing expenses to its parent and group entities, which also impacts the PBILDT margin.

Competitive industry

Specialty chemicals represent ~20% of India's overall chemicals and petrochemicals market. These chemicals have diverse applications in consumer products (such as personal care chemicals), industrial processes (such as water treatment chemicals), and infrastructure development (including construction chemicals). Growth of the Indian economy fuels demand for specialty chemicals across these segments.

Specialty chemical providers typically serve specific customer niches, offering continuous and inventive technical solutions. Despite its global presence, BLI operates on a moderate scale in India. It competes with prominent international players and local firms.

Dependence on imports and exposure to FOREX fluctuations

BLI exhibits significant reliance on imports, with ~52% of its total purchases in CY22 originating from international sources and margins are susceptible to forex fluctuations. Imports were predominantly from its group concerns. However, there was a shift in sourcing domestically from other global market players in CY23 with imports constituting 42% of the total purchases.

Liquidity: Adequate

BLI's liquidity profile is adequate with sufficient cash accruals against no repayment obligations. The company's operating cycle stood at 71 days as on December 31, 2023, to improved inventory days to 29 days (PY: 40 days) in CY23, which was partially offset by increase in collection days. As far as creditors payment is concerned, companies enjoy a credit period of around ~90 days for purchases from group entities and a 60-day credit period for purchases from local vendors. In the 12-months ending August 2024, the company has not utilised the working capital facility of ₹12.00 crore and met requirements with its own cash accruals. The company's free cash & bank balance was ₹21.75 crore as on December 31, 2023.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

Established in 2005, BLI is an integral part of the Buckman group based in the USA. Founded by Dr. Stanley J. Buckman in 1945, the Buckman group specialises in manufacturing specialty chemicals across sectors, including pulp and paper, leather, industrial water treatment, and process chemistry. With a presence in over 90 countries, BLI serves the Indian specialty chemicals industry, primarily focusing on paper and pulp, leather chemicals, and water treatment chemicals. Operating as a marketing arm, BLI was importing chemicals from affiliated group companies in Singapore, South Africa, and the USA, subsequently distributing them to manufacturers in paper and leather sectors. With more incentives to source domestically, BLI shifted its procurement strategy with an increasing share of local suppliers over imports.

Brief Financials (₹ crore)	December 31, 2022 (A)	December 31, 2023 (UA)	July 31, 2024 (UA)
Total operating income	88.33	78.25	49.57
PBILDT	8.02	1.16	2.82
PAT	5.88	0.84	2.25
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	141.38	26.80	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: 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 and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	12.00	CARE BBB+; Negative / CARE A2

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	12.00	CARE BBB+; Negative / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (28-Sep-23)	1)CARE BBB+; Stable / CARE A2 (06-Dec-22)	1)CARE BBB+; Stable / CARE A2 (28-Sep-21)

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

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

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