

Paarichem Resources LLP

November 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	60.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	166.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Rating Limited (CARE Ratings) has been seeking information from Paarichem Resources LLP (PRL) to monitor the ratings vide e-mail communications dated August 13, 2024, August 29, 2024, September 13, 2024 among others and multiple 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 has reviewed the ratings based on best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on PRL's bank facilities will now be denoted as CARE BB+/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 inadequate information available for assessment of rating. Further revision is also on account of the inability to monitor the performance of the company going forward due to non-cooperation by the issuer.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the rated entity is likely to maintain its envisaged revenue and sustain the envisaged operating performance over the near to medium term

Detailed description of key rating drivers:

At the time of last rating on Sep 08, 2023, the following were the rating strengths and weaknesses

Key weaknesses

Moderate capital structure and weak debt coverage indicators

PRL's capital structure and debt coverage indicators stood moderate marked by overall gearing (incl acceptances) at 2.04x in FY23 as compared to 2.09x in FY22. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.71x in FY23 as compared to 2.81x in FY22. Debt coverage indicators stood weak marked by total debt to gross cash accruals (TD/GCA) stood at 15.04x in FY23 as compared to 8.15x in FY22 owing to increase in debts. Interest coverage ratio deteriorated to 2.25x in FY23 as compared to 6.02x in FY22 owing increase in interest expenses.

Working capital intensive nature of operations

Gross current days deteriorated on y-o-y basis and stood at 216 days in FY23 as compared to 157 days in FY22 owing to deterioration in debtors and creditors days. The operating cycle stood at 109 days in FY23 as compared to 67 days in FY22 owing to increase in collection and inventory period. The average collection days deteriorated to 73 days in FY23 as compared to 56 days in FY22 owing to increase in debtors as on Mar 31, 2023. Average Inventory period deteriorated to 93 days in FY23 as compared to 49 days in FY22 owing to increase in inventories as on Mar 31, 2023. The average creditors days stood at 57 days in FY23 as compared to 39 days in FY22.

Susceptibility of margin to volatility in traded material prices

The firm deals in a variety of raw materials having varied applications. The prices of these chemicals are highly volatile as their raw material includes crude oils and various other commodities. PRL is also exposed to foreign exchange fluctuation risk as it imports 70-90% of products while sells the products in the domestic market. As per management, around 60% of the imports are hedged by using forward contracts. Further, it mitigates this risk through order backed procurement, profitability is susceptible to sharp movements in the prices of traded goods and currency rates, to the extent of the uncovered exposure. The company incurred forex loss of Rs. 0.73 crores in FY23 as compared to gain of Rs. 2.41 crores in FY22.

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

Key strengths

Extensive experience of promoters in chemicals trading industry and track record of financial support through unsecured loans

Mr. Parimal Doshi, is the partner and founder of PRL, who has extensive experience of over four decades in chemical trading business. Mr. Parimal Doshi has been actively involved in the business since inception and plays a key role in firm's growth with his inputs in strategic planning and business development, finances, and purchases. Subsequently, second generation (i.e., Mr. Penil Doshi, the son of Mr. Parimal Doshi and founder) has been at the helm of business for over 8 years. He is responsible for assessing key market requirements, sales, customer feedback and act as bridge between technical and marketing team to deliver outcomes for customers. Management is also aided by a team of professionals looking after finance and logistics department. Promoters have demonstrated their resourcefulness by consistently infusing the unsecured loans into business (o/s as on Mar 31, 2023 is Rs. 30.42 crores).

Established track record, moderately diversified product portfolio

The chemical trading industry is a fragmented industry; however, PRL has a long and established track record. PRL's product portfolio consists of more than 150 chemicals which find application across varied industries. PRL deals in chemicals and specialty chemicals which have very specific applications. These chemicals form a small proportion of the overall cost for the buyers and hence, the buyers usually purchase from approved vendors. PRL's products find application across major industries like Water Treatment (swimming), Potassium, Acrylates, Ethylene Amines, Construction, Pharmaceutical, etc. PRL has its own warehouse in Baroda and rented warehouses in Mumbai, Chennai and Kolkata. PRL's revenue is well diversified across end user industry/sectors, thereby mitigating the risk of concentration on single sector/industry. The product mix change y-o-y based on the market demand and supply of the chemicals. Top 5 products contribute around 20.38% in FY23 as compared to 13.98% in FY22.

Long standing relationship with reputed customers and supplier base

PRL caters to the requirements of various industries across major sectors like Water Treatment, Potassium, Acrylates, Ethylene Amines, Construction, Pharmaceutical and other industries with a customer base of over 500 clients. The customers base remained diluted with presence across the industry segments. Top 10 customers contribute around 7.52% in FY23 as compared to 8.25% in FY22. PRL enjoys a better bargaining power with the suppliers against its peers due to large quantity of orders, despite operating in a fragmented industry with low entry barriers and high competition.

Moderate scale of operations and above average PBILDT margins

PRL's total operating income (TOI) declined and stood at Rs. 656.50 crores in FY23 as compared to Rs. 800.09 crores in FY22 owing to price correction in comparison to FY22 as it were exceptionally high on account of sudden surge in demand post covid related restrictions. There has been fall in revenue due to fall in the prices however volumes are intact. Receivables are secured by trade credit insurance which mitigates the risk of non-payment by their customers. Furthermore, PRL has an agency of 4 reputed suppliers wherein they have non-exclusive agreements and agency sales contributes around 30% of the revenues. PBILDT margin has been in the range of 4%-5% in last two years wherein it stood at 4.64% in FY23 as compared to 4.90% in FY22. Sustainability of the PBILDT margins to remain key monitorable.

Liquidity: Adequate

Adequate liquidity is marked by sufficient expected GCA in the range of Rs. 17 crores to Rs. 24 crores in FY24 to FY26 against modest term loan repayment obligations of Rs.2.51 crores in FY24, 2.96 crores in FY25 and 1.48 crores in FY26. PRL's unencumbered cash and bank balance remain negligible of Rs. 0.08 crores, and FD marked as lien of Rs. 61.08 crores as on March 31, 2023 with no capex planned in future. Utilization of working capital limits have been moderate for last 12 months ended July-23. Cash flow from operations stood at 17.20 crores in FY23 (PY-negative). As on March 31, 2023, Current ratio and quick ratio stood at 1.33x (PY-1.32x) and 0.63x (0.65x) respectively.

Applicable criteria

[Definition of Default](#)

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

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

[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
Services	Services	Commercial Services & Supplies	Trading & Distributors

Paarichem Resources LLP (PRL) was incorporated in the year 2014, is engaged in importing and trading of Water Treatment Chemicals, Potassium Chemical, Acrylates Chemical, Ethylene Amines, Construction Chemicals, Chlorinated Solvents, Pharmaceutical Solvents, etc across industry segments. It has more than 150 chemical products which caters to more than 500 customers. The business is managed by Mr. Parimal Doshi, founder of PRL, and he is assisted by his son Mr. Penil Doshi. PRL has head office in Mumbai and has its own warehouse in Baroda, followed by rented warehouses in Mumbai, Chennai & Kolkata.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	800.09	656.32
PBILDT	39.18	30.32
PAT	23.42	13.72
Overall gearing (times)	2.09	2.09
Interest coverage (times)	6.02	2.25

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of the various 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-Cash Credit		-	-	-	60.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Letter of credit		-	-	-	166.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

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-Cash Credit	LT	60.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (08-Sep-23)	-	-
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST	166.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (08-Sep-23)	-	-

*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/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender details

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

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 for any clarifications.

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About us:

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Disclaimer:

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