

Pon Pure Chemical India Private Limited

February 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short-term bank facilities	35.00	CARE A2+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Pon Pure Chemical India Private Limited (PPC) derive strength from the long track record of promoters and their established market position, serving a diversified customer base with a wide range of products catering end-user industries. Ratings also factor in the comfortable capital structure and long-standing relationships with key suppliers. However, ratings are constrained by the trading nature of the business, modest margins, and exposure to fluctuations in commodity prices and foreign exchange risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins above 5% on a sustained basis.
- Healthy accretion of profits to reserves, leading to improvement in total outside liability to total net worth (TOL/TNW) below 1.00x on a sustained basis.

Negative factors

- Substantial decline in operating margin to below 1.5% caused by fluctuations in forex rates and commodity prices.
- Deterioration in interest coverage below 2.00x.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has adopted consolidated approach for analysing as PPC and its subsidiaries are in similar business, exhibit cash flow fungibility, and are managed by common promoters. The details of subsidiaries are mentioned in Annexure-6.

Outlook: Not applicable

Detailed description of key rating drivers

Key strengths

Long business vintage and established market position in the chemicals trading sector

PPC is the flagship company of the Chennai-based Pure Group founded in 1981 by M Ponnuswami. The group has over four decades of business vintage in the chemicals trading and distribution industry. PPC has built a strong market presence, particularly in south India, and has expanded its footprint in the west and north. With a robust network of warehouses across the country, PPC has established itself as a key player in the sector. The group has expanded its footprint internationally, with subsidiaries in Dubai, Singapore, Bangladesh, Sri Lanka and Australia. Its operational efficiency is further supported by the group company, Pon Pure Logistics Private Limited, which manages port operations and liquid inventory storage for the group at major Indian ports.

Diversified customer base and wide range of products for various end-user industries

The company has an active customer base of over 2,500 clients, with top 10 customers representing less than 15% of total sales in FY24 ensuring minimal customer concentration risk. PPC specialises in trading general chemicals, which account for 95% sales, serving a wide range of end-user industries such as textile, paper, lubricant, furniture, consumer products, coatings, paints, pharmaceuticals, and agriculture. PPC offers a portfolio of over 800 products, with the top five products contributing to less than 35% total sales.

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

Comfortable capital structure and debt coverage metrics

The company's capital structure is comfortable with overall gearing of 0.67x as on March 31, 2024 (PY: 0.81x). The company's debt coverage indicators are also comfortable marked by total debt to gross cash accruals (TD/GCA) of 4.60x (PY: 8.08x) and interest coverage ratio of 2.92x (PY: 2.36x) in FY24.

Efficient working capital management

The company maintains economic order quantity (EOQ) level of inventory for its major products ranging ~20-30 days at each warehouse. Material and the quantity to be stored in each location is decided based on the past order history and client location. Majority orders are on recurring basis, which enables the company to plan the inventory aligned with the order flow. While the average life span of the products is around three years, the company undertakes quarterly stock audit to notify about any non-moving item in each location minimising the aging stock. In the last five years, the average inventory holding period has been ~25 days. The company has a well-defined credit policy to manage customer-specific credit limits. This approach to credit management has contributed to minimal bad debts, with negligible write-offs in receivables in the last three years. With efficient working capital management company has been able to maintain the operating cycle stable ~37-43 days for the last four years.

Key weaknesses

Trading nature of business and presence in a highly competitive sector

PPC operates in the highly competitive chemical trading sector, with bulk chemical trading and repacking accounting for ~95% sales, followed by specialty chemicals (5%). The industry's competitiveness is driven by organised and unorganised players, pressures pricing and operating margins. However, PPC has maintained its competitive edge with expanded geographic presence, strong warehouse network across India, and presence of the group company, which is in logistics sector handling port operations. Long-standing supplier relationships with over 20 years with key suppliers helps maintain its market position despite challenges.

Exposure to foreign exchange fluctuation risk

The company is exposed to foreign exchange fluctuation risk, with ~10% total sales coming from exports and ~30% total purchases being imports in FY24. To mitigate this risk, the company utilises packing credit facilities in foreign currency and follows a forex hedging policy, covering up to 80-90% of its net unhedged exposure.

Moderate profitability levels and margins susceptible to fluctuation in commodity prices

PPC operates in wholesale trading, where thin margins are common and the business is vulnerable to fluctuations in commodity prices, particularly crude oil. This has led to a decline in PBILDT margin to 1.97% in FY23, though a recovery to 2.87% was seen in FY24. As part of its diversification strategy and to improve margins, the company has promoted Pon Pure Speciality Chemical Pvt Ltd for blending of high-performance chemicals targeting specific end user industries. While still in the initial stages, this move in specialty chemical and chemical blending is expected to drive the margin growth over time.

Liquidity: Adequate

Liquidity position is adequate with GCA of ₹59.59 crore in FY24 compared to the minimal term debt repayment obligations in FY25. Fund-based utilisation averaged ~68% for the last 12 months ended October 2024. Operating cycle remained stable ~43 days in FY24 (PY: 41 days). The company had unencumbered cash bank balance of ₹33.19 crore as on March 31, 2024.

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
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Commodities	Chemicals	Chemicals and Petrochemicals	Trading - Chemicals
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Pon Pure Chemical India Private Limited (PPC) is the flagship company of Chennai-based Pure Group which was founded in 1981 by M Ponnuswami. PPC primarily trades and distributes a wide range of general chemicals used across industries, including textiles, paints, agriculture, and pharmaceuticals. The company operates globally with subsidiaries in Dubai, Singapore, Sri Lanka, and Australia among others. The company has a strong warehouse network of ~25 locations across India and the group also offers logistics services, including port storage and transportation to its customers. The company has a strong supplier base, with established relationships lasting over 20 years with key suppliers. PPC has recently ventured in processing specialty chemicals (blending) in-house through its subsidiary M/s Pon Pure Speciality Chemical Private Limited, catering specific end-use applications.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1 FY25 (UA)
Total operating income	3,954.67	3,653.50	2,023.73
PBILDT	77.86	104.89	49.97
PAT	33.33	57.26	29.13
Overall gearing (times)	0.81	0.67	0.52
Interest coverage (times)	2.37	2.92	3.22

A: Audited UA: Unaudited; Note: these are latest financial results available

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
Non-fund-based - ST-Letter of credit		-	-	-	35.00	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	Non-fund-based - ST-Letter of credit	ST	35.00	CARE A2+				

ST: 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	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Pure Chemicals FZE	Full	Subsidiaries
2	Pure Chemicals Pte Ltd		
3	Pon Pure Chemical Bangladesh Pvt Ltd		
4	Pon Pure Speciality Chemical Pvt Ltd		
5	Pon Pure Renewable Energy Pvt Ltd		
6	Pon Pure Chemical Lanka Pvt Ltd		
7	Pure Chemicals Pty Ltd		

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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About us:

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