

Environ Speciality Chemicals Private Limited

April 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.33	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	87.67	CARE BB+; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Environ Speciality Chemicals Private Limited (ESCPL) is constrained by its fluctuating profitability, which further remains vulnerable to price volatility and exchange rate fluctuations. Additionally, weak debt coverage indicators, and stretched liquidity, further weighs on the ratings.

However, the ratings are supported by the company's experienced promoter, long operational track record, and well-established relationships with key suppliers and a diversified customer base. The ratings also take into account ESCPL's moderate scale of operations and capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 4% on a sustained basis.
- Improvement in capital structure, marked by overall gearing ratio of below 1.00x on a sustained basis.

Negative factors

- Significant decline in scale of operations or any adverse change in sourcing arrangement with key suppliers, impacting company's profitability
- Deterioration in overall gearing beyond 1.75x, on a sustained basis

Analytical approach:

CARE Ratings has taken a consolidated view of ESCPL and its two wholly owned subsidiaries, Environ Speciality Chemicals Gulf FZE and Environ Speciality Chemicals North America Inc., considering managerial and operational linkages. (Details of the subsidiaries is placed in Annexure - 6).

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' view that ESCPL is likely to maintain its operating performance, supported by the experience of its promoter and sustenance of its moderate capital structure.

Detailed description of key rating drivers:

Key weaknesses

Fluctuating profitability, which further remains vulnerable to price volatility and exchange rate fluctuations

ESCPL's PBILDT margin has been volatile, ranging from 1.25% to 12.65% over the past five years, driven by fluctuations in specialty chemical prices. In FY24, its PBILDT and PAT margin declined to 1.67% (PY: 6.69%) and -0.34% (PY: 4.11%), due to continued decline in specialty chemical prices. However, in 9MFY25, PBILDT margin improved and stood at 7.42%, due to stabilisation of specialty chemical prices.

ESCPL relies heavily on imports, with 90%-95% of its chemical procurement being sourced internationally. Since ESCPL maintains an inventory of 30-45 days to meet market demand, fluctuations in commodity prices can impact its profitability. Moreover, considering sales is largely concentrated in the domestic market, ESCPL's profitability is vulnerable to exchange rate fluctuations. However, ESCPL hedges its exposure by entering forward contracts, which mitigates the risk to a certain extent.

Weak coverage indicators

Debt coverage indicators remained weak with PBILDT interest coverage at 0.81x (previous year: 4.50x) and total debt/PBILDT of 13.20x (previous year: 2.24x). This deterioration was driven by a decline in profitability and higher debt levels. Given the trading nature of its business, ESCPL's debt profile is primarily composed of working capital borrowings, with minimal dependence on term loans. In 9MFY25, PBILDT interest coverage improved and stood at 2.68x.

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

Key strengths

Experienced promotor

ESCPL is promoted by Mr. Anupam Kapadia, who has around three decades of experience in this industry and is supported by a management team comprising qualified and seasoned professionals. His experience has helped in establishing relationships with international and domestic suppliers and clients.

ESCPL serves as an authorized distributor for over 45 major chemical manufacturers across the Indian Subcontinent and the Middle East.

Established relationships with key suppliers and a diversified customer base

ESCPL is primarily engaged in distributing of specialty chemicals for the Lubricant, Polymer, Coating, Ink, Adhesive and Cosmetic Industries. The company has long-standing relationships with its suppliers such as Munzing, King industries Inc., Chevron Phillips Chemicals, among others, which provides assurance in terms of the supply of these chemicals. Nevertheless, it remains exposed to the risk of adverse changes in the sourcing arrangement from its key suppliers.

ESCPL's customer base is well diversified, with the top ten customers contributing ~20% of its net sales in 9MFY25 (FY24: 26%). The company due to its long-standing relationship benefits from repeated orders from its existing customer.

Moderate scale of operations

ESCPL's total operating income (TOI) grew a compound annual growth rate (CAGR) of 34.46% over the past five years, ending FY24. However, in FY24, TOI marginally declined by 6.41% to ₹329.22 crore (FY23: ₹351.78 crore), as sales realisation has moderated across all major products due to muted demand and inventory dumping by China. The dip in sales realisation was offset by moderate volume growth across products.

For 9MFY25, the company recorded a TOI of ₹238.01 crore and is expected to achieve a full-year TOI in-line with FY24 TOI.

Moderate capital structure

ESCPL had moderate capital structure with overall gearing of 1.34x at FY24 end (P.Y. 0.96x) and TOL/TNW of 1.83x at FY24 end (P.Y. 0.96x). The decline in gearing was primarily driven by higher working capital utilisation. As on December 31, 2024, ESCPL's overall gearing improved and stood at 1.20x. The leverage position of the ESCPL is expected to remain moderate in near to medium term.

Liquidity: Stretched

ESCPL's liquidity position remains stretched, as reflected in the high utilisation of its fund-based limits, averaging 95% over the 12 months ending January 2025. As of December 31, 2024, the company had free cash and liquid investments of ₹5.64 crore (FY24 end: ₹6.40 crore). ESCPL has moderate gross working capital cycle on account of collection period ranging from 40-70 days and inventory holding period in range of 30-45 days in past 4 years ending FY24. However, credit period from suppliers remains low in range of 20-40 days during the same period, as company is required to make advance payments to most of its suppliers. Furthermore, operating cash flows remained negative at ₹-7.94 crore in FY24 (PY: ₹-0.69 crore).

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](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Trading - Chemicals

Mumbai-based ESCPL, incorporated in 2001, is promoted by Anupam Kapadia. The company is engaged in distribution of specialty chemicals for the Lubricant, Polymer, Coating, Ink, Adhesive and Cosmetic Industries. ESCPL represents more than 45 Major Chemical Manufacturers as their Authorised Distributor for the Indian Subcontinent and the middle east.

ESCPL's has 100% Subsidiary named Environ Speciality Chemicals Gulf FZE is based in UAE and in USA named as Environ Speciality Chemicals North America Inc. and both the subsidiaries operates in similar line of business activities.

Consolidated:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	351.78	329.33	238.01
PBILDT	23.53	5.51	17.67
PAT	14.47	-1.13	8.55
Overall gearing (times)	0.96	1.34	1.20
Interest coverage (times)	4.50	0.81	2.68

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

Standalone:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	306.92	284.78	200.52
PBILDT	20.73	8.54	15.09
PAT	11.96	2.21	6.21
Overall gearing (times)	1.16	1.52	1.40
Interest coverage (times)	4.19	1.31	2.37

A: Audited UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	71.00	CARE BB+; Stable / CARE A4
Fund-based - LT/ ST-Working Capital Limits		-	-	-	15.92	CARE BB+; Stable / CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.75	CARE BB+; Stable / CARE A4
Term Loan-Long Term		-	-	28/02/2027	2.33	CARE BB+; Stable

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 2025-2026	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
1	Fund-based - LT/ ST-Cash Credit	LT/ST	71.00	CARE BB+; Stable / CARE A4				
2	Term Loan-Long Term	LT	2.33	CARE BB+; Stable				
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.75	CARE BB+; Stable / CARE A4				
4	Fund-based - LT/ ST-Working Capital Limits	LT/ST	15.92	CARE BB+; Stable / CARE A4				

LT: Long term; ST: Short term; 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-Cash Credit	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Term Loan-Long Term	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	Environ Speciality Chemicals Gulf FZE	Full consolidation	Subsidiary
2	Environ Speciality Chemicals North America Inc.	Full consolidation	Subsidiary

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.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in</p> <p>Ujjwal Manish Patel Associate Director CARE Ratings Limited Phone: 079-40265649 E-mail: ujjwal.patel@careedge.in</p> <p>Ashutosh Sharma Analyst CARE Ratings Limited E-mail: Ashutosh.sharma@careedge.in</p>
--	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**