Yasho Industries Private Limited
July 12, 2017

Ratings

Facility/Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Bank Facilities-Fund-based - LT/ ST-CC/Packing Credit	49.00	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable/A Four Plus)	Assigned
Bank Facilities-Non-fund-based - ST-BG/LC	18.50	CARE A4+(A Four Plus)	Assigned
Total facilities	**67.50 (Rupees Sixty seven crore and Fifty lakh only)**		

Details of facilities as per Annexure-1

Detailed Rationale & key rating drivers

The ratings assigned to the bank facilities of Yasho Industries Private Limited (YIPL) are constrained by exposure to volatility in raw material prices, leveraged capital structure, working capital intensive nature of operations and foreign exchange fluctuation risk.

The ratings however, consider the promoter's significant experience and track record of the promoters in speciality chemicals business and long-standing relationship with their suppliers and customers.

The ability of YIPL to improve and maintain profitability margins and manage the working capital requirement effectively would remain the key rating sensitivities.

Detailed description of key rating drivers

Key Rating Strengths:

Established track record and experienced promoters

YIPL was originally set up by Mr Vinod Jhaveri in 1992 as Vasu Preservatives Pvt Ltd and commenced operations in 1993. YIPL is now being managed by the sons of Mr Vinod Jhaveri: Mr Parag Jhaveri, Mr Nilesh Jhaveri, and Mr Yayesh Jhaveri. The promoters of YIPL, have more than two decades of experience in the chemicals industry. YIPL's Managing Director, Mr Parag Jhaveri is an M.Sc by qualification. He looks after the overall management of the company and is supported by a team of professionals.

Diversified product portfolio and end user application

YIPL's product portfolio is comprised primarily of Aroma & Cosmetic, Anti-oxidant, Rubber, Speciality & Lube Chemicals. Product wise, Rubber range is the major contributor forming 32% of total sales in FY16 (P.Y.34%) followed by Aroma Range 27% (P.Y.28%). Export contribution formed 52% of the sales for FY16 vis-à-vis 54% in FY15 with key export countries being USA, Germany and Italy among others. Total contribution from exports during FY17 (provisional) was 53%.

Established relationship with the customers

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Over the years the company has been able to establish good and long standing relationship with the customers. The export clientele include reputed multinationals. The company has more than 10 years of relationship with these customers and is successful in getting repeat business from them.

Key Rating Weaknesses

Exposed to volatility in raw material prices

Since, the majority of the raw material are crude derivatives, YIPL is exposed to volatility in raw material prices. Apart from the crude based commodities, the company is also vulnerable to clove oil price volatility (used in aroma chemicals). The company is exposed to foreign exchange risk due to mismatches that may arise.

Leveraged capital structure and weak debt service coverage indicators

YIPL's financial risk profile is marked by leveraged capital structure and average debt coverage metrics. YIPL's overall gearing ratio stood at 2.04x as on March 31, 2016 vis-a-vis 2.14x as on March 31, 2015. Debt coverage indicators of YIPL are weak on account of low profitability margins coupled with higher interest costs due to high dependence on borrowings to fund its operational requirements. The total debt/GCA and interest coverage (PBILDT/Interest) was 12.74x and 1.56x respectively in FY16 and was 17.29x and 1.41x in FY15 respectively. Total debt/GCA improved marginally to 11.00x during FY17 (provisional).

Working capital intensive nature of operations

The operations of YIPL are not order backed to a large extent. Thus, it has to maintain sufficient inventory of all the variety of the chemicals manufactured to meet the timely needs of the customers. Since, the majority of the raw material is imported, to avail bulk discounts and to save on transportation costs, YIPL stocks adequate raw material. Furthermore, YIPL cannot negotiate on quantity of each lot as it is not viable for the suppliers located abroad to dispatch lesser quantity than specified lots. Some raw materials like clove oil (used in aroma chemicals) are seasonal products which need to be stocked adequately to ensure production throughout the year. Semi-finished goods also comprise significant portion of the inventory since speciality chemicals are mainly value added products. Therefore, inventory days remained high at 139 days in FY16 vis-à-vis 121 days in FY15.

Intense competition

The speciality chemicals sector in India has a dominating presence of a few global leaders and MNC's. This has implications on the competitiveness of Indian players as only a few Indian players have the scale or capabilities to compete with the global giants on product development and innovation. Furthermore, the industry is highly competitive with large number of organised and unorganised players.

Applicable criteria

Criteria on assigning Outlook to Credit Rating
CARE's default recognition policy
Criteria for Short Term Instruments
Financial ratios - Non Financial Sector
Rating Methodology – Manufacturing companies

About the Company

Yasho Industries Pvt Ltd (YIPL) was originally set up by Mr Vinod Harilal Jhaveri in 1992 as Vasu Preservatives Pvt Ltd and commenced operations in 1993; this company was renamed Yasho Industries Pvt Ltd in 1996. The company is into manufacturing of speciality chemicals. Its diversified product portfolio is broadly classified into Aroma & Cosmetics, Anti-oxidant, Rubber, Speciality & Lube Chemicals. YIPL has clientele from industries as varied as Pharmaceuticals, Construction, Industrial Machinery, Food, Flavours & Fragrance. YIPL has two manufacturing units at Vapi, Gujarat having an installed capacity of 3000MT. YIPL has a strong distributor network in major consumption centres in India and abroad. YIPL also has an extensive R&D wing which has been focused on optimization of new products, upgrading processes and improving existing processes. YIPL reported a PAT of Rs.1.66 crore on the total income of Rs.192.45 crore in FY16 (refers to the period April 1 to March 31) as against a PAT of Rs.0.17 crore on a total income of Rs.183.77 crore during FY15. During FY17 (provisional), YIPL reported a PAT of 4.06 crore on a total income of Rs.198.21 crore.

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	183.77	192.45
PBILDT	17.85	20.41
PAT	0.17	1.66
Overall gearing (times)	2.14	2.04
Interest coverage (times)	1.41	1.56

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades; it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	49.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-BG/LC	-	-	-	18.50	CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	49.00	CARE BB+; Stable / CARE A4+	-	-	-	-
2.	Non-fund-based - ST-BG/LC	ST	18.50	CARE A4+	-	-	-	-

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