

January 09, 2023

## Asian Solvochem Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Cash credit	-	2.00	[ICRA]BBB(Stable); assigned
Short term – Non-fund based – Letter of credit	40.00	58.00	[ICRA]A3+; reaffirmed/assigned
Long term – Fund based – Sublimit	(15.00)	(15.00)	[ICRA]BBB(Stable); reaffirmed
Short term – Non-fund based – Sublimit	(30.00)	(30.00)	[ICRA]A3+; reaffirmed
Short/long term fund/non fund based - Others	-	25.00	[ICRA]BBB(Stable)/[ICRA]A3+; assigned
<b>Total</b>	<b>40.00</b>	<b>85.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA has taken a consolidated view of Crescent Organics Private Limited (COPL), including its subsidiary Kemsol Limited and its group entities - Asian Solvochem Pvt Ltd. and Crescent Chemicals - henceforth referred to as the Crescent Group, due to the management, operational and financial linkages among them. ICRA also notes that the three Crescent Group entities have extended corporate guarantees to each other, except to Kemsol Ltd.

The assigned ratings factors in the established presence of the Crescent Group in the petrochemical trading business with a long track record of operations and the extensive experience of the promoters. The Group's established relationship with international suppliers and its diversified customer base and product mix have also been taken into consideration.

ICRA also takes note of the improvement in the consolidated financial performance in recent years, leading to an improvement in the coverage indicators, while the capital structure remains moderately geared. ICRA has factored in COPL's diversification into manufacturing operations and trading of healthcare POS devices, although the revenue contribution from these segments remains moderate.

The ratings, however, remain constrained by the Group's modest profitability margins because of the predominantly trading operations. The margins are also vulnerable to the volatility in chemical prices and forex rates due to the limited pricing flexibility arising from high competition in the petrochemical trading segment.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that the Crescent Group's operations and credit profile will continue to benefit from its established relationship with international suppliers and the track record and experience of the promoters in managing the inherent risks in the petrochemical trading business.

### Key rating drivers and their description

#### Credit strengths

**Established track record and experience in petrochemical trading** – The Crescent Group has a track record of operations of over six decades and the promoters have extensive experience in the petrochemical trading business. The Group has an established relationship with reputed international and domestic suppliers and some of the entities are the sole indenting agents/DCAs for large chemical players like Sasol Limited and ONGC Petro Additions Limited in certain regions.

**Diversified customer base and product mix** - The Group caters to reputed customers in India, while COPL's subsidiary – Kemsol Limited - caters to international customers in the Middle East. The company's established relationship with diversified customers enables it to get repeat orders from many customers and the low concentration mitigates any counterparty credit risk. The company caters to both end-user industries and other traders.

The Group has also started manufacturing polypropylene bags and distributing healthcare POS devices under COPL, which provides some diversification benefits, although the revenue contribution from these segments remains moderate. ICRA also takes note of the improvement in the consolidated financial performance in the last two years, leading to an improvement in the coverage indicators, while the capital structure remains moderately geared.

### Credit challenges

**High competition and limited pricing flexibility** - The Group operates in a highly competitive sector, comprising organised and unorganised players, limiting its pricing flexibility. This, coupled with the low value-added nature of the trading operations, results in thin profit margins.

**Vulnerability of profitability to volatility in product prices and foreign exchange fluctuations** - The Group's operations remain susceptible to the volatility in product prices and forex rate fluctuations. The Group had witnessed high forex losses in the past. However, ICRA notes that the Group has taken some steps in recent years to mitigate the forex risk, which includes partial pass-through of forex fluctuations to customers and partial hedging of forex exposure. Further, the long-standing experience of the promoters in the business and their ability to manage inventory risks mitigate the inherent risks in trading operations to some extent.

### Liquidity position: Adequate

The company's liquidity position remains adequate, backed by healthy improvement in cash flow from operations in FY2022 at the consolidated level and availability of unutilised working capital limits against no major capex plans and repayment obligation of around Rs. 2.15 crore in FY2023 and Rs. 1.31 crore in FY2024. The liquidity profile is also supported by unsecured loans extended by promoters and unencumbered cash and bank balance of Rs. 44.6 crore as on March 31, 2022 at the consolidated level.

### Rating Sensitivities

**Positive factors** – ICRA could upgrade the ratings if the Crescent Group demonstrates a sustained improvement in operating profitability and a healthy credit profile while maintaining working capital intensity.

**Negative factors** – Pressure on the ratings could arise if the Crescent Group demonstrates a sustained decline in revenue and margin, or if a higher-than-expected capex or a stretch in the working capital intensity weakens its liquidity profile. Specific credit metrics that could lead to a downgrade include the consolidated entity's interest coverage being less than 3.5 times on a sustained basis.

### Analytical Approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Chemical Industry</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated view of Crescent Organics Private Limited (COPL) (including its subsidiary Kemsol Limited) and its Group companies - Asian Solvochem Pvt Ltd. (ASPL) and Crescent Chemicals - due to the common promoters

and the management, operational and financial linkages. (The entities are enlisted in Annexure-2)

## About the Company

Asian Solvochem Private Limited (ASPL) was formed in 2010-11, and is engaged in the indenting, import and trading of petrochemicals, specialty chemicals and fertilisers.

## About the Group

The Crescent Group was founded by Mr. G. D. Shah in 1964 with petrochemical trading and indenting operations under a partnership firm - Crescent Chemicals. Over the years, the Group also started similar operations under COPL in 1991 and Asian Solvochem Private Limited in 2011, with the entities engaged in the distribution, indenting, imports and agency business for petrochemicals, specialty chemicals and fertilisers. The Group entities also act as indenting agents/DCAs for reputed international and domestic chemical companies.

## Key financial indicators

ASPL	Consolidated*		Standalone	
	FY2021	FY2022	FY2021	FY2022
Operating income (Rs. crore)	1,131.1	1,518.9	316.7	458.6
PAT (Rs. crore)	32.4	43.2	5.1	12.2
OPBDIT/OI	4.3%	4.3%	2.0%	3.7%
PAT/OI	2.9%	2.8%	1.6%	2.7%
Total outside liabilities/Tangible net worth (times)	2.1	1.9	6.4	5.0
Total debt/OPBDIT (times)	2.7	2.7	2.4	1.1
Interest coverage (times)	4.2	5.5	4.2	13.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

\*Consolidation based on ICRA estimates

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on December 31, 2022 (Rs. crore)	Current rating (FY2023)		Chronology of rating history for the past 3 years		
				Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Jan 09, 2023	Jul 28, 2022	-	-	Sep 20, 2019
1 Cash credit	Long term	2.00	-	[ICRA]BBB(Stable)		-	-	-
2 Letter of credit	Short term	58.00	-	[ICRA]A3+	[ICRA]A3+	-	-	[ICRA]A4 ISSUER NOT COOPERATING; Withdrawn
3 Fund based - Sublimit	Long term	(15.00)	-	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	-	-	-

<b>4</b>	<b>Non-fund based – Sublimit</b>	Short term (30.00)	-	[ICRA]A3+	[ICRA]A3+	-	-	-
<b>5</b>	<b>Cash credit – Sublimit</b>	Long term	-	-	-	-	-	[ICRA]BB (Stable) ISSUER NOT COOPERATING; Withdrawn
<b>6</b>	<b>Fund/non fund based - Others</b>	Short/Long term	25.00	[ICRA]BBB(Stable)/ [ICRA]A3+	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Cash credit	Simple
Short term – Non-fund based – Letter of credit	Very Simple
Long term – Fund based – Sublimit	Simple
Short term – Non-fund based – Sublimit	Simple
Short/long term fund/non fund based - Others	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term – Fund based – Cash credit	NA	NA	NA	2.00	[ICRA]BBB(Stable)
NA	Short term - Non-fund based - Letter of credit	NA	NA	NA	58.00	[ICRA]A3+
NA	Long term - Fund based – Sublimit	NA	NA	NA	(15.00)	[ICRA]BBB(Stable)
NA	Short term - Non-fund based - Sublimit	NA	NA	NA	(30.00)	[ICRA]A3+
NA	Short/long term fund/non fund based - Others	NA	NA	NA	25.00	[ICRA]BBB(Stable)/ [ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

### Annexure II: List of entities considered for consolidated analysis

Company Name	COPL Ownership	Consolidation Approach
Crescent Organics Private Limited	100.00%	Full Consolidation
Asian Solvochem Private Limited	Common Promoters	Full Consolidation
Crescent Chemicals	Common Promoters	Full Consolidation
Kemsol Limited	60% stake of COPL	Full Consolidation

**Note:** ICRA has taken a consolidated view of COPL (including its subsidiary) and its group entities while assigning the ratings

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