July 26, 2021

Rossari Biotech Limited- Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund-based Working Capital Facilities	82.00	82.00	[ICRA]AA- (Stable)
Unallocated Limit	74.39	74.39	[ICRA]AA- (Stable)
Non-fund Based Limit	23.61	23.61	[ICRA]A1+
Total	**180.00**	**180.00**	

**Instrument details are provided in Annexure-1*

Rationale

Rossari Biotech Ltd (Rossari) has entered into an agreement for acquisition of Tristar Intermediates Pvt. Ltd. (Tristar). Rossari would acquire 76% of Tristar upon closure of the transaction and remaining 24% over the next three years. Tristar would become a wholly owned subsidiary of Rossari after three years. The exiting promoters of Tristar would continue to manage the operations of Tristar for at least a period of three years.

This acquisition is valued at Rs. 120 crore and is subject to approvals under applicable laws. The consideration will be in the form of cash payout from the surplus cash available with Rossari. While this would result in decline in surplus cash available with the company, Rossari continues to remain debt-free and has access to undrawn working capital limits of Rs. 82 crore. Moreover, Tristar also has limited external debt of ~Rs. 13.0 crore on March 31, 2021, hence, on a consolidated basis, after the acquisition, the outstanding debt would remain negligible. The ratings remain unchanged at [ICRA]AA-(Stable)/A1+ as ICRA does not expect this transaction to materially impact the company's credit profile over the medium-term. However, any further significant acquisitions that result in an increase in leverage or significantly impact its liquidity profile will be a monitorable.

Tristar, incorporated in 1997, is promoted by Mr. Uday Marballi, Mr. Sanjay Marballi, Mr. Ramakrishna Thite and Mr. Debashish Chakraborty. Tristar is in the field of preservatives, aroma chemicals, and home & personal care additives with high-tech distillation facilities. In FY2021, personal care segment contributed to ~60% of revenues and exports accounted for ~53% of revenues. Tristar's manufacturing facility is located in Valsad (Gujarat) with an installed capacity of 15000 MTPA.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: **Click here**

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for entities in the Chemical Industry
Parent/Group Support	Not applicable
Consolidation/Standalone	**Consolidation** For arriving at the ratings, ICRA has combined the business and financial risk profiles of Rossari Biotech Limited (Rossari), its wholly owned subsidiary, Buzil Rossari Private Limited, and its joint venture company, Rossari Personal Care Products Private Limited (60% ownership), as the entities are owned and managed by the same promoters and are involved in related business sectors. ICRA has also considered the consolidated financials of Rossari and Unitop Chemicals Pvt. Ltd. (effective from August 2021) and Tristar Intermediates Pvt. Ltd. (effective from October 2021), since the acquisitions are expected to be completed by that time.

About the company

Established as the partnership firm, 'Rossari Labtech', by Mr. Edward Menezes and Mr. Sunil Chari in 2003, it was subsequently renamed as 'Rossari Biotech Limited' and converted to a limited company in 2009. On July 23, 2020, the company was publicly listed on BSE and NSE. Rossari is engaged in manufacturing speciality chemicals with its focus on three business verticals of HPPC, TSC and AHN. Within the three verticals, it has over 2,000 products catering to diverse end-user industries. Its manufacturing facility at Silvassa has a current annual installed capacity of 2,52,000 MTPA, which includes the newly commissioned unit at Dahej (Gujarat) with an annual capacity of 1,32,000 MTPA from March 2021. It also has two, state-of-the-art R&D laboratories at its Silvassa plant and at IIT Mumbai.

Key financial indicators (audited)

Rossari Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	600.1	709.3
PAT (Rs. crore)	65.5	80.0
OPBDIT/OI (%)	17.5%	17.3%
PAT/OI (%)	10.9%	11.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.2	0.0
Total Debt/OPBDIT (times)	0.6	0.0
Interest Coverage (times)	29.5	41.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					July 14, 2021 **July 26, 2021**	-	-	-
1	Working Capital	Long Term	82.00	-	[ICRA]AA- (Stable)	-	-	-
2	Unallocated Limit	Long Term	74.39	-	[ICRA]AA- (Stable)	-	-	-
3	Non-Fund Based Limit	Short Term	23.61	-	[ICRA]A1+			

Complexity level of the rated instruments

Instrument	Complexity Indicator
Working Capital	Very Simple
Unallocated Limit	Very Simple
Non-Fund Based Limit	Very 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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Working Capital	NA	NA	NA	82.00	[ICRA]AA- (Stable)
NA	Unallocated Limit	NA	NA	NA	74.39	[ICRA]AA- (Stable)
NA	Non-Fund Based Limit	NA	NA	NA	23.61	[ICRA]A1+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Buzil Rossari Private Limited	100%	Full Consolidation
Rossari Personal Care Products Private Limited	60%	Proportionate Consolidation
Unitop Chemicals Pvt. Ltd.	65%*	Full Consolidation
Tristar Intermediates Pvt. Ltd.	76%#	Full Consolidation

** expected to be completed in July 2021; # expected to be completed in September 2021*

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About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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