February 11, 2025

Crescent Chemicals: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short/long term fund/non fund based - Others	10.00	10.00	[ICRA]BBB-(Negative)/[ICRA]A3; reaffirmed
Total	**10.00**	**10.00**	

**Instrument details are provided in Annexure I*

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Crescent Organics Private Limited (COPL), Kemsol Limited (Kemsol), which is a subsidiary of COPL, Asian Solvochem Private Limited {rated [ICRA]BBB- (Negative)/[ICRA]A3} and Crescent Chemicals {rated [ICRA]BBB- (Negative)/[ICRA]A3} due to their common promoters and the management, operational and financial linkages among them. The entities are together referred to as the Crescent Group or the Group.

The rating reaffirmation factors in an expected improvement in the performance of the Crescent Group in FY2025 and FY2026 amid stabilising chemical prices and a healthy increase in sales volume, which should help improve the overall credit metrics. The extent of the improvement, however, is likely to be modest in FY2025. In FY2026, there will be a healthy improvement in the performance, supported by the monetisation of the loss-making polypropylene (PP) woven bag manufacturing business, along with a sustained volume growth.

The ratings continue to factor 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 has factored in COPL's diversification into the trading of healthcare points of sale (PoS) devices, although the revenue contribution from this segment remains moderate.

The ratings, however, remain constrained by the Group's modest profitability margins because of the trading nature of the operations. The margins are also vulnerable to the volatility in chemical prices and forex rates due to limited pricing flexibility arising from high competition in the petrochemical trading segment and the partially unhedged exposure maintained by the company as part of its hedging policy.

As the credit metrics will remain modest in FY2025, the ratings continue to be on a Negative outlook as the extent of the improvement in profitability will remain a key monitorable.

Key rating drivers and their description

Credit strengths

Established track record and experience in petrochemical trading - The Crescent Group has a track record of over six decades and the promoters have extensive experience in the petrochemical trading business. The Group has established relationships 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 (rated [ICRA]AAA (CE) (Stable)/[ICRA]AA (Stable)/[ICRA]A1+) 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 West Asia. 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.

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 does not have a back-to-back arrangement for its sales. Hence, it remains exposed to inventory loss risk if there is a sustained decline in chemical prices, as was seen in FY2023 and H1 FY2024, which can adversely impact the profitability. Additionally, as part of its hedging policy, the Group keeps a part of the foreign currency exposure unhedged which can impact the profitability in case of a sustained depreciation of the rupee against other foreign currencies. The elevated competition in the market also limits the ability of the Group to pass on the volatility in the raw material prices and foreign exchange to its customers.

Modest credit profile - The Group's credit profile remains modest on account of its subdued profitability. The coverage and capitalisation indicators improved in FY2024 as the margins stabilised after the losses incurred in FY2023. The total debt/OPBITDA stood at 9.5 times in FY2024 compared to 14.5 times in FY2023, while the interest coverage slightly improved to 1.1 times in FY2024 against 0.63 times in FY2023.

Liquidity position: Adequate

ICRA expects the groups's liquidity to remain adequate on a consolidated basis given the adequate cushion in the working capital limits, unencumbered cash balances of Rs. 48.5 crore as on March 31, 2024, and the expected improvement in the cash accruals, going forward. The working capital limit utilisation has been around 64% for COPL (standalone), 43% for ASPL and 49% for Crescent Chemicals over the last 12 months ended September 2024. ICRA notes that the company is in the process of purchasing an office space in FY2025 and has tied up loans for funding the purchase. The equity portion will be funded through proceeds from the sale of the machinery of the manufacturing division, which has been closed down.

Rating sensitivities

Positive factors – ICRA could revise the outlook to Stable and/or upgrade the ratings if the Crescent Group demonstrates a sustained improvement in its operating profitability and a healthy credit profile while maintaining its 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 for downgrade include the consolidated entity's interest coverage being less than 2.8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
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

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

About the company

Crescent Chemicals was established in 1964 in Mumbai as a partnership firm by Mr. G D Shah as a distributor for petrochemicals, polymers & fertiliser products.

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 (audited)

	Consolidated		Standalone	
CC	**FY2023**	**FY2024**	**FY2023**	**FY2024**
Operating income	1,561.4	1,590.1	53.3	55.8
PAT	-10.4	6.4	0.3	1.4
OPBDIT/OI	0.8%	1.4%	-1.9%	0.7%
PAT/OI	-0.7%	0.4%	0.5%	2.5%
Total outside liabilities/Tangible net worth (times)	1.9	2.7	1.1	2.5
Total debt/OPBDIT (times)	14.4	9.5	- 5.6	9.1
Interest coverage (times)	0.5	1.1	-0.9	0.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

		Current (FY2025)			Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Feb 11, 2025**	**Apr 05, 2024**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund based	Short term	-	-	-	-	-	Jul 28, 2022	[ICRA]A3+	-	-
Non fund based - Others	Long term/ Short term	10.00	[ICRA]BBB- (Negative)/ [ICRA]A3	[ICRA]BBB- (Negative)/ [ICRA]A3	-	-	Jan 09, 2023	[ICRA]BBB(Stable)/ [ICRA]A3+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/ Short term - 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/ Short term - Non fund based - Others**	NA	NA	NA	10.00	[ICRA]BBB-(Negative) /[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.

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 12 4454 5322
prashant.vasisht@icraindia.com

Varun Gogia
+91 98 7115 6542
varun.gogia1@icraindia.com

Mohika Kundara
+91 9599133619
mohika.kundara@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

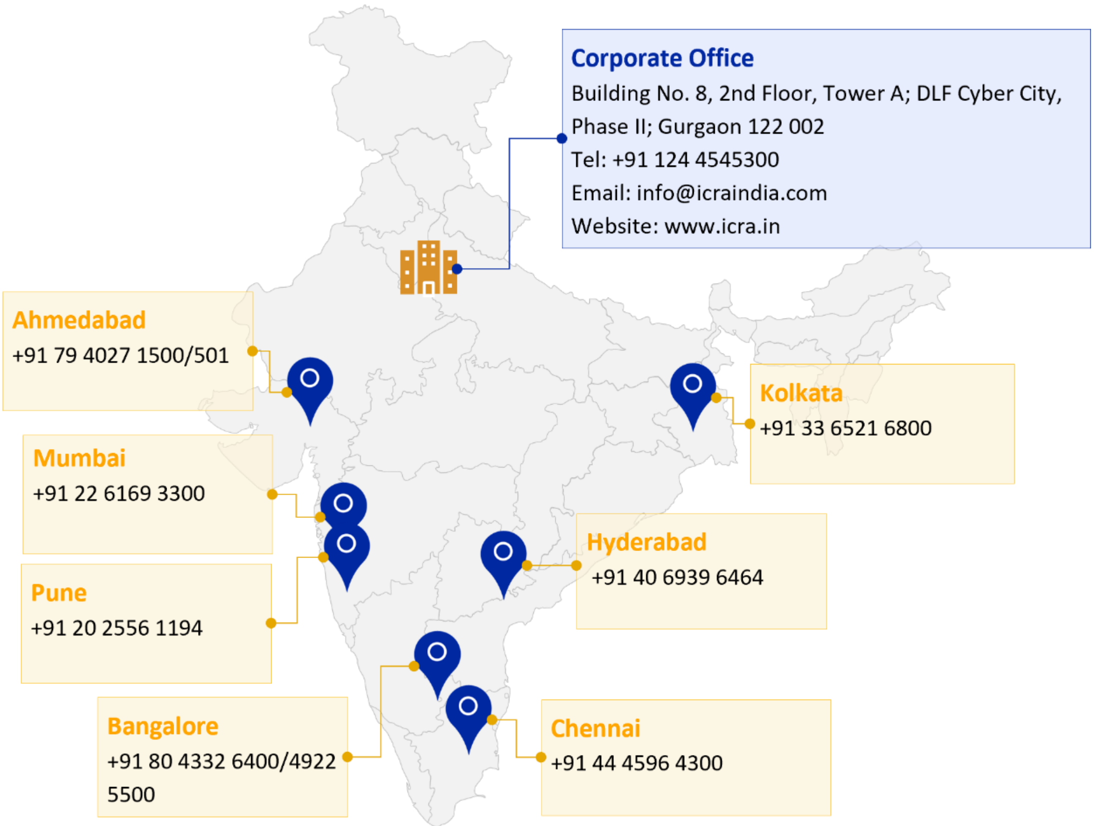
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.