

## Rating Rationale

### Brickwork Ratings assigns ‘BWR C+’ & ‘BWR A4’ for Bank Loan facilities aggregating to ₹ 10.12 Cr of AVR Zinc Products Pvt Ltd

Brickwork Ratings has assigned following **Ratings<sup>1</sup>** for Bank Loan facilities of AVR Zinc Products Pvt Ltd (“AZPL” or “the company”).

Facility	Limit (₹ Cr)	Tenure	Rating
<b>Fund Based</b> Cash Credit	6.50	Long Term	<b>BWR C+</b> (Pronounced as BWR C Plus)
<b>Fund Based</b> WCTL	2.12		
<b>Non-Fund Based</b> Letter of Credit	1.50	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>	<b>10.12</b>	<b>INR Ten Crores and Twelve Lakhs only</b>	

BWR has essentially relied upon the audited financial results up to FY13, provisional financials of FY14, projections of FY15 and information and clarifications provided by the management of the company.

The rating factors, inter alia, promoters’ experience in the industry and reputed clientele from tyre industry. However, the rating is constrained by low capacity utilization, customer concentration risk, erosion of tangible network, thin profit margins, weak debt protection metrics, and elongated cash conversion cycle.

### Background

AZPL was established in the year 1987 as AVR Chemicals by the promoter Ms.E.Anuradha and was later incorporated as a Private Limited Company in the name of AVR Zinc Products Pvt Ltd. The manufacturing unit is located at Yanam in Union Territory of Pondicherry. The company is involved in the manufacturing of Zinc oxide, which is utilized in various industries like rubber, paint, ceramic and pharmaceutical industries. The average annual production capacity of the facility is 7200MTPA and Capacity utilization of the company was 23% in FY14. The company has a ‘Quality Management System’ certification of ISO 9001:2008

### Financial Performances

AZPL’s revenue has decreased from Rs. 19.84Cr in FY12 to Rs. 16.19Cr in FY13. The company had net and operating loss in FY13. The Share capital of the company was ₹1.89Cr in FY13, which has been eroded by the accumulated losses. AZPL has, as per provisional figures, has achieved revenue of ₹16.64crs in FY14.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

## Rating Outlook

Going forward, ability of the company to improve the sales & profitability margins, stabilize the operations & improve the capacity utilization, manage working capital efficiently, service its financial obligations in a timely manner and strengthen its capital structure will be key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.