

## Rating Rationale

### Brickwork Ratings has Revised the rating to ‘BWR B’ & Reaffirms ‘BWR A4’ for the Bank Loan Facilities amounting to ₹ 11.83 Cr of AVR Zinc Products Pvt. Ltd

Brickwork Ratings has Revised **Ratings**<sup>1</sup> for the bank loan facilities of Rs.11.83 Cr (INR Eleven Crores and Eighty Three Lakhs only) of AVR Zinc Products Pvt. Ltd. (“AZPPL” or the “Company”) as follows:

Facility	Present Limits(₹ Cr)	Previous Limits(₹ Cr)	Tenure	Rating	Rating History
Cash Credit (Fund based)	<b>8.50</b>	6.50	Long Term	<b>Upgraded to BWR B</b> (Pronounced BWR Single B)  (Outlook: Stable)	BWR C+ (Pronounced BWR C Plus)  (Oct, 2014)
Working Capital Term Loan (Fund based)	<b>0.83</b>	2.12			
Letter of Credit (Non-Fund based)	<b>2.50</b>	1.50	Short Term	<b>BWR A4</b> (Pronounced BWR A Four )	BWR A4 (Pronounced BWR A Four ) (Oct, 2014)
<b>Total</b>	<b>11.83</b>	10.12	<b>INR Eleven Crores and Eighty Three Lakhs only</b>		

BWR has essentially relied upon the audited financial results up to FY14, auditor certified Financials of FY15 and projections up to FY18 publicly available information and information/clarifications provided by the company’s management.

The rating draws strength from the long established track record of the Company, experienced management and clientele of reputed tyre industries and the promoters having brought in additional funds during the year. However, the rating is constrained by decrease in revenues, accumulated losses, liquidity risk due to stretched cash conversion cycle and decrease in sales revenues due to intense competition and low capacity utilization.

### 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 in Yanam, Union territory of Pondicherry.

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

The company is involved in the manufacturing of Zinc Oxide, which is utilized in various industries like rubber, paints, ceramics, pharmaceuticals industries etc.

### Management Profile

Ms. E.Anuradha is the Managing Director of the Company and Mr. E Vishnu Vardhana Rao is the CEO of the Company.

### Financial Performance:

Net sales have decreased to Rs11.18 Cr in FY15 from Rs16.65 Cr in FY14. Profit after tax (PAT) has decreased to Rs0.01 Cr in FY15 as against Rs0.06 Cr in FY14. Net profit margin and operating profit margin of the company stood at 0.11% and 11.60% respectively. Tangible net worth of the company stood at Rs.(0.44) Cr as on FY15.

### Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to increase the capacity utilization and revenues with improved margins, ensure timely debt servicing and manage its liquidity would be the key rating sensitivities.

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