

Rating Rationale

Brickwork Ratings reaffirm ratings ‘BWR BB-’ for the Bank Loan Facilities aggregating to ₹ 8.15 Cr of Ajanta Polymers Pvt. Ltd.

Brickwork Ratings has re-affirmed following **Ratings¹** for the bank loan facilities of Ajanta Polymers Pvt. Ltd. (APPL or the ‘Company’) as under :-

Facility	Existing Limits (₹ Crs)	New Limits (₹Cr)	Tenure	Present Rating [^]	Rating History
Fund based					
Cash Credit	6.00	6.00	Long term	BWR BB- (Pronounced as BWR Double B Minus) (Re-affirmed) (Outlook :Stable)	BWR BB- (Pronounced as BWR Double B Minus) (Outlook:Stable)
Term Loan	3.27	2.15			
Total	9.27	8.15	Rs 8.15 crore (INR Eight Crore and Fifteen Lakh Only)		

BWR has principally relied upon the audited financial results of Ajanta Polymers Pvt. Ltd. upto FY16, information/clarifications provided by the company and other publicly available information.

The assigned ratings derive comfort from the experienced promoters of company in the same line of business, growing top line, low gearing and average working capital management. However, the ratings are constrained by a small scale of operations, deterioration in conversion cycle, low net profitability margins and exposure to risks arising from the significant presence of organized and unorganized competitors.

Background:

Ajanta Polymers Private Limited (APPL) was incorporated in 2009 and is part of the Ajanta Group. It has its registered office is at New Delhi. Ajanta Group was established 1974 and are among the leading producers of Chlorinated Paraffin, Azodicarbonamide (Blowing Agent) in India. Business operations are run under its two group concerns viz. Ajanta Chemical Industries and Ajanta Polymers Pvt. Limited.

Azodicarbonamide-ADC (Blowing Agent) is used extensively as a foaming agent for Rubber, Plastics and Leather Cloth Industries and also DNPT (Di Nitroso Pentamethylene Tetramine) which is used as an input material for ADC and mostly consumed in-house. APPL’s plant is located at Alwar.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

As per the audited financials of APPL for FY16, top line of the company marginally increased from Rs. 28.54 Crs in FY15 to Rs. 29.06 Crs in FY16. PAT for the company stood at Rs 0.56 Crs in FY16 against Rs. 0.16 Crs in FY15. Operating profit margin and net profit margin for the company stood at 11.61% and 1.91% respectively in FY16. TOL/TNW is 1.62 times as per audited FY16. Tangible net worth was Rs 5.63 Crs in FY16.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to improve its top line growth and profitability margins significantly, bring down the conversion cycle to reasonable numbers, efficiently manage its working capital besides augment its capital structure would remain the key sensitivities.

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