

Rating Rationale

Brickwork Ratings Reaffirms 'BWR BB-' for the Bank Loan Facilities aggregating ₹9.27 Cr of Ajanta Polymers Private Limited

Brickwork Ratings (BWR) has reviewed the **Ratings**¹ for the Bank Loan facilities of ₹9.27 Cr of Ajanta Polymers Pvt. Ltd (APPL) sanctioned by bank.

Facility	Previous Rated Amount (₹ Cr)	Present Rating Amount (₹ Cr)	Tenure	Previous Rating	Present Rating
Fund Based:			Long Term	BWR BB - (Pronounced as BWR Double B Minus) (Outlook: Stable)	BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable)
Cash Credit	6.00	6.00			
Term Loan I	3.32	2.43			
Term Loan II	1.08	0.84			
Total	10.40	9.27	INR Nine Crores and Twenty Seven Lakhs only		

BWR has principally relied upon the audited financial results up to FY15, projected financials for FY16 & FY17, publicly available information and information/clarifications provided by the company's management.

The rating factors in, inter alia, the experience & support of the promoters, who have been active in the chemicals & plastics industry for many years, the group support that the company gains from being part of the Ajanta Group, which has been established since 1974, increase in revenue for the year FY15 and a wide customer base with low concentration risk.

However, the rating is constrained by the APPL's modest scale of business operations, its inability to achieve projected turnover in FY15, low net worth, stretched liquidity position, and profitability margins which are susceptible to volatility in raw material prices, in an industry characterized by severe competition from players in the unorganized as well as organized sectors.

Background:

Ajanta Polymers Private Limited (APPL) is a Delhi based private limited company and is part of the Ajanta Group which was originally established in 1974. APPL was incorporated in 2012 and the company commenced operations in FY13.

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

Mr. Sajjan Agarwal & Mr. Naresh Agarwal are the main directors of the company. The promoters have been active in the chemical and plastics industry with more than 25 years of experience in the industry.

The company is engaged in manufacturing of Azodicarbonamide-ADC (Blowing Agent) that 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.

The company has a plant-cum-storage located in Matsya Industrial Area, Alwar with a built up area of over 35,600 Sq. Ft. and a team of 15 employees. The products manufactured by the company viz. Azodicarbonamide & DNPT are ISO 9001:2008 certified.

Financial Performance:

During FY15, the net sales of the company has increased by 17.64% from ₹ 24.26 Crores in FY 14 to ₹ 28.54 Crores in FY15, while operating profit was at ₹ 0.24 Crores and Net Profits at ₹ 0.16 Crores in FY15 compared to ₹ 0.23 Crores and ₹ 0.24 Crores in FY14 respectively. Debt Equity Analyzed Ratio was at 1.62 times in FY15 compared to 1.66 times in FY14; Current Ratio deteriorated from 1.18 times in FY14 to 1.06 times in FY15. As of March2015, the Tangible Net Worth of the company stood at ₹ 6.70 Crores.

Rating Outlook:

The outlook for APPL is expected to be stable in the coming year. Going forward, the ability of the company to improve its revenues and profitability, improve its net worth levels while maintaining a comfortable debt equity position, managing its working capital efficiently and meeting its projections will be the key rating sensitivities.

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