

Rating Rationale

Brickwork Ratings assigns ‘BWR BB+’ (Outlook: Stable) & ‘BWR A4+’ for Bank Loan Facilities aggregating ₹ 33.93 Cr of Arham Petrochem Private Limited (“APPL” or “the Company”).

Brickwork Ratings (BWR) has assigned **Rating¹** of BWR BB+ (Pronounced BWR Double B Plus) for the long term bank loan facilities of ₹18.51 Cr and BWR A4+ (Pronounced BWR A Four Plus) for short term bank facilities of ₹15.42 Cr of Arham Petrochem Private Limited (*APPL or the Company*).

Facility	Limits (₹Cr)	Tenure	Rating
Fund Based (FB)			
Cash Credit	14.00	Long Term	BWR BB+ (Pronounced BWR Double B Plus) (Outlook -Stable)
EPC/PCFC/EBR (sub – limit of CC)	(4.00)		
FBD	1.00		
Term Loan	3.51		
Non - Fund Based (NFB)			
Letter of Credit	15.00	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
Bank Guarantee (sub – limit of LC)	(1.50)		
Derivative/FC/CEL	0.42		
Total Limits	33.93 (INR Thirty Three Crores & Ninety Three Lakhs only)		

BWR has principally relied upon the audited financials of past three years, financial projections shared by the Company, publicly available information and information/clarification provided by the Company management.

The rating inter alia factors the Established track record of promoter’s having more than four decades of industry experience, diversified product portfolio with quality products, low supplier and customer concentration, moderate competition owing to moderately high entry barriers in the industry and good growth in operating income with healthy margins. The rating is however constrained by relatively modest scale of operations, Foreign exchange fluctuation risk, average financial risk profile reflected by its moderate debt protection metrics, working capital intensive nature of operations and susceptibility of operating margins to the raw material price fluctuation and changes in government policies.

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

Background

Arham Petrochem Private Limited (APPL), incorporated in 1997 as a private limited Company, is promoted by Mr. Ashish Agarwal and Mr. Nitin Agarwal, having its manufacturing facilities located in Kalol, Gujarat. It is engaged in manufacturing of petrochemical and petroleum oils through distillation process. It manufactures various type of specialty oils, solvent oil. Company's products of Aromatic & Aliphatic Solvents are import substitute products. Company also imports these in large quantities on account of high shipping costs for smaller shipments. The installed capacity of the plant is 15,000 – 7,500 Kilo Liters per Annum (KLPA) as on March 31, 2014, depending on the process time for various products ranging from 8 hours to 24 hours, which is now increased to 75,000 – 27,500 KLPA, since April, 2015. The plant is approved & recognized by the Government of India through Ministry of Petroleum and Natural Gas to process petroleum/coal crude oil products.

Financial Performance

APPL recorded total revenue of Rs42.99 Cr in FY14 as compared to Rs41.02 Cr in FY13. The reason the low growth of around 5% in FY14 was that the Company reduced the trading business and started concentrating on the more profitable manufacturing sales. However, Company has recorded a growth of around 74% in FY15 with sales of Rs74.71 Cr, mainly driven by higher order execution and capacity expansion. Net profit increased from Rs0.40 Cr in FY13 to Rs0.76 Cr in FY14 and net profit margin improved from 0.96% in FY13 to 1.78% in FY14. ROCE improved from 8.51 % in FY13 to 10.10% in FY14.

Gearing of the Company has decreased from 1.51 times in FY12 to 1.33 times in FY13.

Outlook

The Company has relatively moderate scale of operations and is further affected by average financial risk profile. Performance as per financial projections, proficient expansion of volume, and satisfactory earnings profile are key rating sensitivity factors.

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