

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 27.08 Crores of Arochem Industries Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2017)	Present
<u>Fund based</u>					
Term Loan (Existing)	3.20	2.08	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook : Stable)	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook : Stable) (Reaffirmed)
Term Loan (Proposed)	-	3.00			
Line of Credit (Existing)	12.65	11.50			
Line of Credit (Proposed)	-	10.50			
Total	15.85	27.08	INR Twenty Seven Crores and Eight Lakhs Only		

** Note: Line of credit is being availed by way of Cash Credit, Packing Credit, Foreign Bill Purchase and Letter of Credit aggregating to Rs. 11.50 crs and Proposed Line of Credit of Rs. 10.50 crs

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statement upto FY18 and projected financials upto FY20 and publicly available information and information/clarifications provided by the company.

The rating derives strength from the promoter's experience in the Chemical industry, Moderate Net worth and scale of operations, Low gearing , Increased Top line & bottom line YOY, and moderate interest coverage ratio . However, the rating is constrained by Low Liquidity ratio, Low and stagnant operating profit margin , intense competition in the industry and exposed to risk of fluctuation in foreign exchange.. Going forward, the company's ability in consistently achieving projected revenue, the ability of the management to infuse capital and manage its working capital efficiently will be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- Established track record of operations and experienced management in Chemical business more than three decades.
- Revenue increased reflected by OPI of Rs.53.04 Crs in FY18 VS Rs.36.97 Crs in FY17 and PAT of Rs.1.54 Crs in FY18 VS Rs.1.48 Crs in FY17.
- Moderate & improved ISCR of 3.44 times in FY18 as against ISCR of 2.54 times in FY17, DSCR of 1.68 times in FY18 as against DSCR of 2.44 times in FY17.
- Low gearing ratio reflected by 0.73 x in FY18 as against 0.81 x in FY17.
- Moderate NET WORTH and scale of operations.

Credit Risks:

- Low Liquidity Position with C. R at 0.90x, though it declined marginally in FY18 VS 1.07x in FY17 & expected to increase to 1.26 x for FY19.
- Low and stagnant Operating profit margin level to 5.59% in FY18 from 5.57 % in FY17 though expected to increase to 5.10% in FY19 & Low & reduced PAT margin to 2.90% in FY18 from 4.01% in FY17 though expected to increase 6.67%.
- The company is exposed to intense competition in the industry.
- The company is engaged in exporting ,it is exposed to inherent risk of fluctuation in foreign exchange.
- The raw material for manufacturing dye intermediates are downstream petrochemical products and therefore vulnerable to volatility in crude oil prices.

Liquidity Profile

The company has Net cash accruals of Rs.1.62 Crs as on March 2018.The cash & cash equivalent stood at Rs.0.98 Crs as on March 2018.The average utilisation of the working capital is moderate at 71%. The Current ratio is below unity and stood at 0.96 x as on March 2018.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*



BWR believes the **Arochem Industries Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Arochem Industries Private Limited (AIPL) started in 1962 as a partnership firm, converted to private limited company in 2014, is engaged in manufacturing of dye intermediates (Resist Salt, Metanilic Acid, 3'3' Dinitro Dphenyl Sufone) used primary in textile industry and to some extent in the aerospace industry. The directors of company are Nilesh Gandhi, Milan Thakkar, and Manish Gandhi. AIPL is a recognised as 'One Star Export House' by the Indian Government – Ministry of Commerce & Industry. AIPL is a member of Vapi Green Enviro Ltd (VGEL). VGEL has installed common effluent treatment plant etc at AIPL's factory location.

Company Financial Performance

Total operating income has increased to ₹53.04 Cr in FY18 from ₹36.97 Cr in FY17. PAT has increased to ₹1.54 Cr in FY18 from ₹1.48 Cr in FY17. The company has reported net revenue ₹99.04 Cr from April to 20th February 2019.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based	Long Term	27.08	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook:Stable) (Reaffirmed)	-	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook:Stable)	-
	Total		27.08	₹ Twenty Seven Crores & Eight Lakhs Only			

Status of non-cooperation with previous CRA : NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	53.04	36.97
EBITDA	₹ Cr	2.96	2.13
PAT	₹ Cr	1.54	1.48
Tangible Net worth	₹ Cr	16.37	14.84
Total Debt/Tangible Net worth	Times	0.73	0.81
Current Ratio	Times	0.96	1.07

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Industry](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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