

## Rating Rationale

### Brickwork Ratings assigns 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 65.95 Cr of Asiatic Colour Chem Industries Ltd.

Brickwork Ratings has assigned the following **Ratings<sup>1</sup>** for the Bank Loan Facilities of Asiatic Colour Chem Industries Ltd (ACCIL).

Facility	Limits (₹ Cr)	Tenure	Rating
<b>Cash Credit*</b> (Fund Based)	40.00	Long Term	<b>BWR BBB-</b> (BWR Triple B Minus)  <b>(Outlook: Stable)</b>
<b>Corporate Loan</b>	2.25		
<b>Letter of Credit**</b> (Non-Fund Based)	22.00	Short Term	<b>BWR A3</b> (BWR A Three)
<b>Credit Exposure Limit</b>	1.70		
<b>Total</b>	<b>65.95</b>	<b>(INR Sixty Five Crores &amp; Ninety Five Lakhs only)</b>	

Note \* Cash Credit includes sub limit for EPC/PCFC of ₹ 20.00 Crs & FBD/EBR of ₹ 21.00 Crs within overall limit

\*\* Letter of Credit includes sub limit for Bank Guarantee of ₹ 0.75 Crs.

BWR has principally relied upon the audited financial results upto FY13, projected financials upto FY15, publicly available information and information/clarifications provided by the Company's management.

The rating assigned to the bank facilities of *Asiatic Colour Chem Industries Ltd* factors primarily the vast experience of promoter in leather dye industry, well established & geographically diversified clientele, strong revenue growth for FY13, moderate tangible networth for FY13 and healthy current order book position. However, the rating is constrained by volatile raw material prices linked to crude oil prices, working capital intensive operations and intense competition from other players in the industry.

#### Background:

*Asiatic Colour Chem Industries Ltd* is a closely-held public limited company was incorporated in the year 1995. The directors of the Company are Mr. Mahesh Agrawal, Mr. Vibhor Agrawal and Ms. Savitri Devi Agrawal. The Company's manufacturing unit and corporate office are located in Ahmedabad.

ACCIL is engaged in manufacturing and exports of Synthetic Organic (SO) Dyes (mainly Acid Dyes) which are used primarily in the leather industry. ACCIL also manufactures polypropylene (PP)/high density polyethylene (HDPE) woven fabric and sacks. The company

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

is a 100% export oriented unit. The company is directly marketing to more than 40 countries worldwide. ACCIL also has other group concerns which operate in the same industry.

**Business Operations:**

During FY13 exports comprised nearly 80% of its total turnover with major export destinations being Italy, Turkey, Singapore, Switzerland and Germany. Increasing demand in the leather dyes had resulted in an increase of sales by 29.12% in FY13 against FY12.

The company is procuring raw material from international as well as domestic market. During FY13, ACCIL procured 44.20% of its total raw material requirement from international market mainly from Hong Kong and China with Asiatic Hong-Kong International Ltd. (its 100% Chinese subsidiary) being its single-largest import supplier.

The top customers of the company include Lanxess PTE Ltd, C & C Chemicals & Colours, Reach & Colours KFT and Codyeco SPA contributing around 22.46% of its total revenue for FY13.

**Financial Performance:**

The Company’s revenue from operations increased by 29.12% from ₹126.29 Crs in FY12 to ₹163.07 Crs in FY13. The profit margins decreased from 2.18% in FY12 to 1.45% in FY13 mainly due to foreign exchange loss. Debt equity ratio is adequate at 1.25 times as on 31.3.2013. The tangible net worth of the company is moderate at ₹31.20 Crs as on 31.3.2013.

**Rating Outlook:**

The outlook is expected to be stable over the current year. Going forward, meeting the projected turnover, efficient working capital management, improve profitability margins and manage volatile raw material cost would be the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

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