

Rating Rationale

Brickwork Ratings upgrades long term ratings to ‘BWR BBB’ and reaffirms short term ratings for the Bank Loan Facilities aggregating ₹ 74.10 Crores of M/s Asiatic Colour Chem Industries Ltd.

On a review, Brickwork Ratings (BWR) upgrades long term **Ratings¹** to “BWR BBB” and reaffirms short term ratings for the Bank Loan Facilities aggregating ₹ 74.10 Crs (enhancement from Rs. 65.95 crores) to M/ **Asiatic Colour Chem Industries Ltd** (The Company), as under

Facility	Previous Limits (Rs. Cr)	Present Limits (Rs. Cr)	Tenure	Previous Ratings Dec 2013	Review Ratings
Fund Based Limits					
Cash Credit*	40.00	40.00	Long Term	BWR BBB- (BWR Triple B Minus) Outlook: Stable	BWR BBB (BWR Triple B) Outlook: Stable (Up gradation)
Corporate Loan	2.25	2.10 [^]			
Stand by Line of Credit#	--	9.00	Short Term	BWR A3 BWR A Three	BWR A3 BWR A Three (Re-affirmation)
Non Fund Based Limits					
Letter of credit**	22.00	22.00			
Credit Exposure Limit	1.70	1.00			
Total	65.95	74.10	INR Seventy four crores and ten lakhs only		

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.

[^]O/s balances as on Feb 5, 2015

Limit sanctioned for to tie over the fluctuation prices of raw materials.

BWR has principally relied upon the audited financial results up to FY14, projected financials up to FY16, publicly available information and information/clarification provided by the Company’s management.

The rating continues the strength of promoter’s experience in the business and established clientele. The rating assigned also derives strength from improvement in profitability margins, low gearing profile and comfortable coverage ratios. However the rating is constrained by volatile raw material prices linked to crude oil prices, capability to meet and overcome the adversity of raw material prices crashing, working capital intensive operations, exposed to forex risk and intense competition from other players in the industry.

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

Background

Asiatic Color Chem Ind. Ltd (ACCIL) was incorporated in 1995, engaged in manufacturing and exports of Synthetic Organic (SO) Dyes (mainly Acid Dyes) which are used primarily in the leather industry. Company also manufactures polypropylene (PP)/high density polyethylene (HDPE) woven fabric and sacks. The Company's manufacturing unit and corporate office are located in Ahmedabad.

Currently, license capacity of the company has increased to 8400 MTPA from 7500MTPA, while the installed capacity of the unit is at 7500MTPA. The company is currently utilizing 100% of installed capacity. The company is a 100% export oriented unit.

The directors of the Company are Mr. Mahesh Agrawal, Mr. Vibhor Agrawal and Ms. Savitri Devi Agrawal.

Financial Performance

Based on FY14 audited financials, Net revenue from operations has improved from Rs. 160.99 crores to Rs. 269.34 crores on account of increase in raw materials price, while maintain the output as per installed capacity. Operating profit and net profit have improved from 6.60% and 1.45% in FY13 to 7.91% and 3.94% in FY14 respectively. Improvement in profitability margins was due to minimization of overhead costs. Tangible net-worth has improved from Rs. 31.20 crores in FY13 to Rs. 43.72 crores in FY14 due to retention of profits and infusion of capital. Low gearing profile reported from debt equity of 0.56 times in FY14. Company has adequate liquidity position reflected from current ratio of 1.46 times. Operating cycle has minimized from 107 days in FY13 to 63 days in FY14 due to timely manageable and collection of receivables and inventory.

Rating Outlook

The outlook of the company for the next one year is expected to be stable. Going forward, ability of the company to timely manage the highly susceptible of raw materials price fluctuations including crashing of prices, to sustain the profitability margins achieved and operating cycle, to maintain favorable capital structure and manage the working capital requirements will remain key rating sensitivities.

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