

Rating Rationale

Avmark Polymers Private Limited

15th September, 2017

Brickwork Ratings revises the ratings for the Bank Loan facilities aggregating to Rs. 12.00 Cr of Avmark Polymers Private Limited.

Brickwork Ratings (BWR) has downgraded the following Ratings¹ for the Bank Loan Facilities of Rs. 12.00 Cr of Avmark Polymers Private Limited (“APPL” or “the Company”):

| Facilities | Previous Limit (Rs. In Cr) | Present Limit (Rs. In Cr) | Tenure | Previous Rating | Rating Assigned* |
|------------------------|----------------------------|---------------------------|------------|---------------------------------|---|
| Fund Based: | | | | | |
| Cash Credit | 4.00 | 4.00 | Long Term | BWR B Outlook: Stable | BWR B- Outlook : Stable (Downgraded) |
| Term Loan | 10.36 | 8.00* | | | |
| Non Fund Based: | | | | | |
| Letter of Credit | (2.00) | (2.00)** | Short Term | BWR A4 | BWR A4 (Reaffirmed) |
| Total | 14.36 | 12.00 | | (INR Twelve Crores Only) | |

*Present Term Loan amount outstanding as on 30th August, 2017.

**Letter of Credit is the sub limit of Cash Credit.

Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned

BWR has essentially relied upon the audited financial results of the company up to FY16, provisional financial up to FY17 & projections for FY18 and information/clarifications provided by the management.

The rating draws strength from entrepreneurial experience of the management in the different types of business, locational advantage of the plant, However, the ratings are constrained by reduced revenue, low scale of operations, recurring net loss, high leverage, low net worth exposure to volatility in raw material prices, the cyclical demand of tarapaulin business and is highly fragmented and competitive industry.

Going forward, the Company's ability to scale up its operations, to improve its profitability margins, to improve its networth, to manage its working capital efficiency and to service its debt obligations promptly will be the key rating sensitivities.

Rating key drivers:

Experience of the management is between 8-12 years. Revenue reduced From Rs 22.53 Crs to Rs. 11.93 Crs, leverage stands at 3.98x, net worth is low at Rs. 3.87 Crs even though increased in FY17.

Rating Outlook : Stable

BWR believes that APPL's 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.

Company Background:

Avmark Polymers Private Limited was incorporated in March-2013 at Kanpur, Uttar Pradesh and began commercial operations from March-2014. The company has manufacturing unit in Kanpur and manufactures High Density Polyethylene (HDPE) based Tarapaulin. It is sold under the brand name "Gold Mahor". The company requires raw materials like HDPE granules, filler compounds, LDPE, etc. for production. The Company is managed by Mr Prateek Arora, Mr Saurabh Aggarwal and Mr Gaurav Aggarwal.

Financial Performance:

APPL reported net sales of Rs. 19.03 Cr and loss of Rs 0.07 Cr in FY16 against net sales of Rs. 12.72 Cr and loss of Rs 0.13 in FY15. While FY 17 registered net sales of Rs 11.93 Crs operating profit reduced from Rs 1.32. Crs in FY 16 to Rs 0.79 Crs in FY17 .Tangible net worth stood at Rs. 2.99 Crs in FY16, total debt equity ratio was 6.81 times in FY16 while in FY17, it stood at 3.98 on a provisional basis, the company has reported net sales of Rs 11.93 Cr for FY17.

Rating History for the last three years:

| Sr. No. | Instrument/ Facility | Current Rating (Year 2017) | | | Rating History | | |
|---------|--|----------------------------|--------------|------------------------------|----------------|---------------|------|
| | | Type | Amt in Crs | Rating | 2016 | 2015 | 2014 |
| 1 | Fund Based: Cash Credit | Long Term | 4.00 | BWR B- (Downgraded) | Not Reviewed | BWR Stable | NA |
| 2 | Term Loan | | 8.00 | | Not reviewed | | |
| 3 | Non-Fund Based: Letter of Credit | Short Term | (2.00) | BWR A4 (Reaffirmed) | Not reviewed | BWR A4 | NA |
| | Total | | 12.00 | Rs Twelve Crores Only | | | |

Avmark Polymers Private Limited

Company's Financial Performance:

| Key Financial Figures | | | |
|------------------------------|-------------|-----------------------------|-------------------------------|
| Particulars | Unit | FY16 (Audited) | FY17 (Provisional) |
| Net Sales | Rs. Crores | 19.03 | 11.93 |
| EBITDA | Rs. Crores | 1.82 | 1.23 |
| Net profit /Loss | Rs. Crores | (0.07) | 0.50 |
| Tangible Networth | Rs. Crores | 2.99 | 3.87 |
| Total Debt | Rs. Crores | 16.58 | 15.42 |
| Total Debt : Equity | Times | 6.81 | 3.85 |
| Current Ratio | Times | 1.49 | 1.84 |

Hyperlink/Reference to Applicable Criteria:

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

For any other criteria obtain hyperlinks from website

| Analytical Contacts | Media | | |
|---|--|-----------------------------|--|
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| Relationship Contact | | | |

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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