

Rating Report

Brickwork Ratings assigns 'BWR A4+' for the short term Bank Loan Facilities of AVN Petrochemicals India

Brickwork Ratings (BWR) has assigned the **Rating**¹ 'BWR A4+' for the Bank Loan Facilities of ₹ 15.00 Cr of AVN Petrochemicals India.

Facility	Existing Limits (₹ Cr)	Tenure	Rating
Non-Fund Based (NFB)		Short Term	BWR A4+ (Pronounced BWR A Four Plus)
LC	15.00		
Total	15.00	(INR Fifteen Crores only)	

BWR has principally relied upon the audited financial results up to FY13, provisional financials of FY14, projected financials, publicly available information and information/clarification provided by the company's management.

The rating has inter-alia factored the promoter's extensive experience in business and long operational track record of the group company in the similar business. The rating is however constrained by high degree of competition due to the fragmented nature of the industry, working capital intensive nature of operation, exposure to the volatility in the operating income and not very strong profitability indicators

Company Profile:

AVN Petrochemical India (AVNPI), incorporated in the year 2010, is a proprietorship firm. The firm is engaged in the trading of various products like HDPE/PPE/PVC etc. The firm sources its products from various countries such as Iran, Taiwan, USA and Middle Eastern Countries. AVNPI has its own warehouse located at Bhiwandi, Daman, Silvassa and Ahmedabad. The firm is planning to expand more into HDPE/PVC products in the future.

AVN Petrochemical India is a part of Turakia group which is already in the trading business of polymer based products since last 30 years. Turakia Polymers Pvt Ltd (TPPL), which is the flagship company of the group, set up in 2003 in Mumbai, is a del credere agent (DCA) and consignment stockist (CS) for IOCL since 2010 for Mumbai, Goa, Daman and Silvassa regions. TPPL deals with polymers like Poly Propylene (PP), High Density Polyethylene (HDPE) and Linear Low Density Polyethylene (LLDPE) for IOCL. Besides, the company is also engaged in importing and trading of polymers (other than those it deals for IOCL).

TPPL has been awarded as the 'second highest seller of the polymers for the consecutive three years' by IOCL

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

Management:

AVNPI is promoted by Mr. Mitesh Janak Turakia who is having more than 8 years of business experience. He has completed his M.Sc. in Business Administration from Cardiff University. He is instrumental in all the decision making exercises within the organization and looks after the day to day operation of the firm.

Financial Performance:

The AVNPI's revenue improved approximately by 26% to Rs 71.50 Crores in FY14 (provisional) from Rs 56.52 Crores in FY13. The overall growth in the net operating income since past few years is quite moderate. The operating profit of the company improved marginally during FY14. Operating profit stood at Rs 1.48 Crores in FY14 (provisional) as against the operating profit of Rs 1.49 Crores in FY13 and Rs 0.93 crores in FY12.

Overall profit after tax of the firm stood at Rs 0.69 Crores in FY14 (provisional) as against the PAT of Rs 0.39 Crores in FY13 and Rs 0.34 Crores in FY12. AVNPI has weak profitability indicators as evident from the NPM of 0.97% in FY14 (provisional) and 0.69% in FY13. Overall debt during FY14 (provisional) stood at Rs 2.67 Crores which has been raised through loans from friends and family. AVNPI has healthy debt protection metrics. Interest Service Coverage Ratio (ISCR) of the company stood at 4.95 in FY14 (provisional) as against the ISCR of 1.75 in FY13 and 2.07 in FY12.

Detail financials are presented in the annexures

Rating Outlook:

AVNPI has experienced promoters and long operational track record of its group companies in similar line of business. However, the firm has working capital intensive nature of operation and feeble profitability indicators. Going forward, the ability of the firm to improve its profitability margin, revenue and maintain the revenue growth momentum are the key rating sensitivities.

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Annexures: Key Financials

Annex I: Income Statement of AVNPI

₹ Crores	FY12	FY13
Result Type	Audited	Audited
Gross Sales	37.68	56.52
Traded Goods Sales	0.00	0.00
Excise Duty/Sales Tax	0.00	0.00
Net Sales	37.68	56.52
Other Operating Income	0.00	0.00
Total Operating Income	37.68	56.52
Operating Expenses	36.74	55.03
OPBDIT	0.93	1.49
Depreciation/Amortization/Impairment	0.00	0.00
OPBIT	0.93	1.49
Interest and Finance Charges	0.45	0.85
OPBT	0.48	0.64
Non-Operating Income(Expenses)	-0.14	-0.25
PBT	0.34	0.39
Extraordinary/Prior Period - Income(Expense)	0.00	0.00
Provision for Taxes	0.00	0.00
PAT(Continuing Operations)	0.34	0.39
PAT(Discontinuing Operations)	0.00	0.00
PAT	0.34	0.39

Annexures: Key Financials

Annex II: Balance Sheet of AVNPI

₹ Crores	FY12	FY13
Liabilities	Audited	Audited
EQUITY AND RESERVES	8.85	1.36
Share capital	8.51	0.97
Preference Share Capital/Quasi Equity	0.00	0.00
Share Application money Pending allotment	0.00	0.00
Reserves and Surplus	0.34	0.39
Revaluation Reserve	0.00	0.00
Minority Interest	0.00	0.00
Non-current liabilities	9.81	6.02
Long-Term Borrowings	9.81	6.02
Deferred tax Liabilities (Net)	0.00	0.00
Other Long Term liabilities	0.00	0.00
Long-Term Provisions	0.00	0.00
Current liabilities	2.27	2.04
Short-Term Borrowings	0.00	0.00
Current Portion Of Long Term Debt	0.00	0.00
Trade Payables	2.14	1.69
Other Current Liabilities	0.00	0.00
Short-Term Provisions	0.12	0.34
Total Liabilities	20.93	9.42
ASSETS		
Non-current assets	0.00	0.00
Net Fixed assets	0.00	0.00
Capital Work-In-Progress	0.00	0.00
Net Intangible assets	0.00	0.00
Net Fixed Assets Given Out On Operating Lease	0.00	0.00
Non-Current Investments	0.00	0.00
Deferred Tax Assets (Net)	0.00	0.00
Long Term Loans and Advances	0.00	0.00
Current assets	20.92	9.41
Current Investments	0.00	0.01
Inventories	14.13	0.00
Trade Receivables > Six Months	0.00	0.00
Trade Receivables < Six Months	6.31	2.98
Cash and Cash Equivalents	0.24	5.84
Short-Term Loans and Advances	0.24	0.59
Total Assets	20.93	9.42

Annexures: Key Financials

Annex III: Key Financial Ratios of AVNPI

Particulars	FY12 Audited	FY13 Audited
Debt - Equity Ratio (Times)	1.11	4.42
Interest Coverage Ratio (Times)	2.07	1.75
Debt Service Coverage Ratio(Times)	1.75	0.55
Tangible Net Worth (₹ Crores)	8.85	1.36
Profitability Margin (%)	0.90	0.68
ROCE (%)	5.00	11.45
Current Ratio (Times)	9.22	4.62