

## Rating Report

### Brickwork Ratings assigns “BWR B/A4” for the Bank Loan Facilities amounting to Rs 11.83 Crores of AVR Zinc Products Pvt. Ltd.

Brickwork Ratings has assigned **Ratings<sup>1</sup>** for the bank loan facilities of Rs 11.83 Crores (Rupees Eleven Crores and Eighty Three Lakhs Only) of AVR Zinc Products Pvt. Ltd. (“AZPPL” or the “Company”) as follows:

Facility	Present (Limits)( ₹ Crs)	Previous (Limits) ( ₹ Crs)	Tenure	Rating	Rating History
Cash Credit (Fund based)	8.50	6.50	Long Term	Upgraded to BWR B (Pronounced BWR B)	BWR C+ (Pronounced BWR C Plus) (Oct, 2014)
Working Capital Term Loan (Fund based)	0.83	2.12		(Outlook: Stable)	
Letter of Credit (Non-Fund based)	2.50	1.50	Short Term	BWR A4 (Pronounced BWR A Four )	BWR A4 (Pronounced BWR A Four ) (Oct, 2014)
<b>Total</b>	<b>11.83</b>	<b>10.12</b>	<b>INR Eleven Crores and Eighty Three Lakhs Only</b>		

BWR has essentially relied upon the audited financial results up to FY14, auditor certified Financials of FY15 and projections upto FY18 publicly available information and information/clarifications provided by the company’s management.

The rating draws strength from the long established track record of the company, experienced management and clientele of reputed tyre companies and the promoters having brought in additional funds during the year.

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

However, the rating is constrained by decrease in revenues, accumulated losses liquidity risk due to stretched cash conversion cycle and decrease in sales revenues due to intense competition and low capacity utilization.

### **Background**

AZPL was established in the year 1987 as AVR Chemicals by the promoter Ms. E.Anuradha and was later incorporated as a Private Limited Company in the name of AVR Zinc Products Pvt. Ltd. The manufacturing unit is located in Yanam, Union territory of Pondicherry.

The company is involved in the manufacturing of Zinc Oxide, which is utilized in various industries like rubber, paints, ceramics, pharmaceuticals industries etc.

### **Management Profile**

Ms. E.Anuradha is the Managing Director of the Company and Mr. E Vishnu Vardhana Rao is the CEO of the Company.

### **Financial Performance:**

Net sales has decreased to Rs 11.18 Crs in FY15 from Rs 16.65 Crs in FY14. Profit after tax (PAT) has decreased to Rs 0.01 Crs in FY15 as against Rs 0.06 Crs in FY14. Net profit margin and operating profit margin of the company stood at 0.11% and 11.60% in FY15 respectively. Tangible net worth of the company stood at Rs. (0.44) Crs as on FY15.

### **Credit Risk Analysis:**

- AZPL is operating in a highly competitive industry. There are a large number of players operating in the industry which reduces the bargaining power with the customers.
- The prices of raw materials are very volatile and any upside movement in the prices directly impacts the profitability of the company limiting the financial flexibility.
- The company is managed by a qualified and experienced management team. The management team.
- The Tangible Net Worth of the Company was negative at Rs. (0.44) Crores for FY15. Improvement in the Tangible Net Worth in the future will be an important factor. The outside liabilities of the Company are high on account of higher bank borrowings and trade payables. Therefore, the overall financial risk profile of the Company is expected to remain at average level.

**Rating Outlook:**

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to increase the capacity utilization and revenues with improved margins, ensure timely debt servicing and manage its liquidity would be the key rating sensitivities.

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**ANNEXURE I: SNAPSHOT OF P & L STATEMENTS**

<b>Crores</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>Net Sales</b>	<b>19.84</b>	<b>16.19</b>	<b>16.65</b>	<b>11.18</b>
Other Operating Income	0.16	0.07	0.00	0.00
<b>Total Operating Income</b>	<b>20.00</b>	<b>16.26</b>	<b>16.65</b>	<b>11.18</b>
Raw Material Consumed	16.38	14.78	13.92	8.46
Change In Inventory (Increase)/Decrease	-0.23	0.24	-0.41	0.23
Power and Fuel Expenses	0.09	0.12	0.11	0.07
Employee Cost	0.39	0.38	0.38	0.35
Manufacturing Expenses	0.83	0.60	0.37	0.33
<b>Cost of Goods Sold</b>	<b>17.45</b>	<b>16.12</b>	<b>14.37</b>	<b>9.44</b>
Selling, General and other Administrative expenses	1.00	0.81	0.74	0.44
<b>Operating Expenses</b>	<b>18.46</b>	<b>16.92</b>	<b>15.11</b>	<b>9.88</b>
<b>OPBDIT</b>	<b>1.54</b>	<b>-0.66</b>	<b>1.53</b>	<b>1.30</b>
Depreciation/Amortization/Impairment	0.08	0.07	0.06	0.10
<b>OPBIT</b>	<b>1.46</b>	<b>-0.73</b>	<b>1.47</b>	<b>1.19</b>
Interest and Finance Charges	1.50	1.64	1.46	1.49
<b>OPBT</b>	<b>-0.05</b>	<b>-2.37</b>	<b>0.02</b>	<b>-0.30</b>
Non Operating Income(Expenses)	0.10	0.04	0.04	0.30
<b>PBT</b>	<b>0.05</b>	<b>-2.33</b>	<b>0.06</b>	<b>0.00</b>
Provision for Taxes	0.01	0.00	0.00	-0.01
<b>PAT</b>	<b>0.04</b>	<b>-2.33</b>	<b>0.06</b>	<b>0.01</b>

## ANNEXURE II: SNAPSHOT OF BALANCE SHEETS

Crores	31/03/2012	31/03/2013	31/03/2014	31/03/2015
	Audited	Audited	Audited	Audited
<b>LIABILITIES</b>				
<b>EQUITY AND RESERVES</b>	<b>1.21</b>	<b>-1.12</b>	<b>-0.86</b>	<b>-0.44</b>
Share capital	1.89	1.89	1.89	1.89
Share Application money Pending allotment	0.03	0.03	0.23	0.64
Reserves and Surplus	-0.71	-3.05	-2.99	-2.98
<b>Non-current liabilities</b>	<b>4.05</b>	<b>3.72</b>	<b>2.69</b>	<b>1.88</b>
Long-Term Borrowings	4.03	3.70	2.67	1.86
Deferred tax Liabilities (Net)	0.02	0.02	0.02	0.01
<b>Current liabilities</b>	<b>6.92</b>	<b>6.26</b>	<b>8.29</b>	<b>9.68</b>
Short-Term Borrowings	6.41	5.88	7.97	8.61
Trade Payables	0.34	0.29	0.21	0.97
Other Current Liabilities	0.15	0.09	0.07	0.07
Short-Term Provisions	0.01	0.00	0.04	0.02
<b>Total Liabilities</b>	<b>12.17</b>	<b>8.86</b>	<b>10.12</b>	<b>11.11</b>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>1.01</b>	<b>0.95</b>	<b>0.90</b>	<b>0.85</b>
Net Fixed assets	0.97	0.90	0.84	0.80
Long Term Loans and Advances	0.04	0.06	0.05	0.05
<b>Current assets</b>	<b>11.16</b>	<b>7.90</b>	<b>9.22</b>	<b>10.26</b>
Inventories	3.04	3.92	4.67	6.15
Trade Receivables > Six Months	0.77	0.38	0.34	0.38
Trade Receivables < Six Months	4.17	1.60	1.55	1.42
Cash and Cash Equivalents	0.36	0.19	0.41	0.54
Short-Term Loans and Advances	2.33	1.43	1.79	1.30
Other Current Assets	0.49	0.39	0.46	0.47
<b>Total Assets</b>	<b>12.17</b>	<b>8.86</b>	<b>10.12</b>	<b>11.11</b>

### ANNEXURE III: KEY FINANCIALS INDICATORS

PARAMETERS	UOM	FY12	FY13	FY14	FY15
		Audited	Audited	Audited	Audited
<b>Long Term Borrowings</b>	<b>Crores</b>	<b>4.03</b>	<b>3.70</b>	<b>2.67</b>	<b>1.86</b>
Short Term Borrowings	Crores	6.41	5.88	7.97	8.61
Total Debt	Crores	10.44	9.58	10.63	10.48
<b>Tangible Net Worth</b>	<b>Crores</b>	<b>1.21</b>	<b>-1.12</b>	<b>-0.86</b>	<b>-0.44</b>
Capital Employed	Crores	11.67	8.48	9.80	10.05
<b>Total Debt/TNW</b>	<b>Times</b>	<b>8.64</b>	<b>-8.54</b>	<b>-12.35</b>	<b>-23.74</b>
Long Term Debt/TNW	Times	3.33	-3.30	-3.10	-4.22
TOL/TNW	Times	9.07	-8.90	-12.75	-26.18
<b>ISCR</b>	<b>Times</b>	<b>1.02</b>	<b>-0.40</b>	<b>1.05</b>	<b>0.87</b>
<b>DSCR</b>	<b>Times</b>	<b>0.76</b>	<b>-0.28</b>	<b>0.79</b>	<b>0.86</b>
DSCR(Analyzed)	Times	0.43	-0.28	0.62	0.82
Net Cash Accruals/Total Debt	Times	0.01	-0.24	0.01	0.01
Net Cash Accruals/Long Term Debt	Times	0.01	-0.61	0.04	0.06
<b>Net Profit Margin</b>	<b>%</b>	<b>0.22</b>	<b>-14.36</b>	<b>0.35</b>	<b>0.11</b>
<b>Operating Profit Margin</b>	<b>%</b>	<b>7.69</b>	<b>-4.06</b>	<b>9.22</b>	<b>11.60</b>
ROCE	%	14.12	-7.25	16.14	12.03
<b>Current Ratio</b>	<b>Times</b>	<b>1.61</b>	<b>1.26</b>	<b>1.11</b>	<b>1.06</b>
Current Ratio(Analyzed)	Times	1.50	1.20	1.07	1.02
Days Receivables	Days	81	78	42	60
Days Inventory	Days	53	79	109	209
Days Payable	Days	8	7	6	21
<b>Conversion Cycle</b>	<b>Days</b>	<b>126</b>	<b>149</b>	<b>145</b>	<b>248</b>