

## Rating Report

**Brickwork Ratings assigns ‘BWR BB+’ (Outlook : Stable) & ‘BWR A4+’ for Bank Loan Facilities aggregating ₹ 33.93 Cr of Arham Petrochem Private Limited (“APPL” or “the Company”).**

Brickwork Ratings (BWR) has assigned **Ratings<sup>1</sup>** of BWR BB+ (Pronounced BWR Double B Plus) for the long term bank loan facilities of ₹ 18.51 Crores and BWR A4+ (Pronounced BWR A Four Plus) for short term bank facilities of ₹ 15.42 Crores of Arham Petrochem Private Limited (APPL or the Company)<sup>1</sup>.

Facility	Limits (₹ Crs)	Tenure	Rating
<b>Fund Based (FB)</b>			
Cash Credit	14.00	Long Term	BWR BB+ (Pronounced BWR Double B plus)  (Outlook -Stable)
EPC/PCFC/EBR (sub – limit of CC)	(4.00)		
FBD	1.00		
Term Loan	3.51		
<b>Non - Fund Based (NFB)</b>			
Letter of Credit	15.00	Short Term	BWR A4+ (Pronounced BWR A Four plus)
Bank Guarantee (sub – limit of LC)	(1.50)		
Derivative/FC/CEL	0.42		
<b>Total Limits</b>	<b>33.93</b>	<b>(INR Thirty - three Crores and Ninety – three Lakhs Only)</b>	

BWR has principally relied upon the audited financials of past three years, financial projections shared by the Company, publicly available information and information/clarification provided by the Company management.

The rating inter alia factors the Established track record of promoter’s having more than four decades of industry experience, diversified product portfolio with quality products, low supplier and customer concentration, moderate competition owing to moderately high entry barriers in the industry and good growth in operating income with healthy margins.

The rating is however constrained by relatively modest scale of operations, Foreign exchange fluctuation risk, average financial risk profile reflected by its moderate debt protection metrics, working capital intensive nature of operations and susceptibility of operating margins to the raw material price fluctuation and changes in government policies.

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

## **Background**

Arham Petrochem Private Limited (APPL), incorporated in 1997 as a private limited Company, is promoted by Mr Ashish Agarwal and Mr Nitin Agarwal, having its manufacturing facilities located in Kalol, Gujarat. It is engaged in manufacturing of petrochemical and petroleum oils through distillation process. It manufactures various type of specialty oils, solvent oil for variety purpose in agricultural pesticides manufactured by various government & private organization. Company's products of Aromatic & Aliphatic Solvents are import substitute products which are being produced by world scale giants like EXXON MOBILE, SK Energy, Gadiv Petrochemicals etc. Company also imports from these companies in large quantities on account of high shipping costs for smaller shipments. These products are being manufactured by the Company as well in smaller volumes, & quality inspectors ensure these products are International quality equivalent. The installed capacity of the plant is 15,000 – 7,500 Kilo Liters per Annum (KLPA) as on March 31, 2014, depending on the process time for various products ranging from 8 hours to 24 hours, which is now increased to 75,000 – 27,500 KLPA, since April, 2015. The plant is approved & recognized by the Government of India through Ministry of Petroleum and Natural Gas to process petroleum/coal crude oil products.

## **Financial Performance**

APPL recorded total revenue of Rs 42.99 Crores in FY14 as compared to Rs 41.02 Crores in FY13. the reason the low growth of around 5% in FY14 was that the Company reduced the trading business and started concentrating on the more profitable manufacturing sales. However, Company has recorded a growth of around 74% in FY15 with sales of Rs 74.71 Crores, mainly driven by higher order execution and capacity expansion. Operating profit is recorded at Rs 2.39 Crores In FY14 as compared to Rs 1.46 Crores in FY13. consequently, operating profit margin increased from 3.57% in FY13 to 5.56% in FY14. Subsequently, Net profit also increased from Rs 0.40 Crore in FY13 to Rs 0.76 Crore in FY14 and net profit margin improved from 0.96% in FY13 to 1.78% in FY14. ROCE improved from 8.51 % in FY13 to 10.10% in FY14. Total debt of the Company increased marginally from Rs 13.76 Crores in FY14 as compared to Rs 12.20 Crores in FY13. it is scheduled to increase to Rs 21.94 Crores in FY15 on account of capacity expansion. However, networth has also increased from Rs 8.07 Crores in FY13 to Rs 10.33 Crores in FY14 on account of internal accruals being ploughed back in the Company. Consequently, gearing of the Company has decreased from 1.51 times in FY12 to 1.33 times in FY13. Interest coverage ratio and DSCR is at comfortable level currently and is expected to improve further, mainly due to growth in profitability coupled with improved margin. ISCR was 1.68 times in FY14 and DSCR was at 1.04 times in FY14. Current ratio is recorded at 2.39 times in FY14 as compared to 2.53 times in FY13. Company has recorded sales of Rs 74.71 Crores in FY15 as compared to Rs 42.95 Crores in FY14 recording a growth of around 74%.

## Outlook

The Company has relatively moderate scale of operations and is further affected by average financial risk profile. Performance as per financial projections, proficient expansion of volume, and satisfactory earnings profile are key rating sensitivity factors.

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## Annexure I – Abridged Income Statement

<b>Crores</b>	<b>31-Mar-2012</b>	<b>31-Mar-2013</b>	<b>31-Mar-2014</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Gross Sales	23.77	37.67	45.34
Traded Goods Sales	4.82	7.71	2.76
Excise Duty/Sales Tax	2.88	4.54	5.14
<b>Net Sales</b>	<b>25.71</b>	<b>40.85</b>	<b>42.95</b>
Other Operating Income	0.20	0.17	0.03
<b>Total Operating Income</b>	<b>25.91</b>	<b>41.02</b>	<b>42.99</b>
Raw Material Consumed	18.42	31.60	32.63
Change In Inventory (Increase)/Decrease	-0.95	-2.69	0.67
Traded Goods Purchased	4.46	7.25	2.55
Power and Fuel Expenses	0.67	0.78	0.72
Employee Cost	0.16	0.16	0.25
Manufacturing Expenses	1.02	1.27	2.29
<b>Cost of Goods Sold</b>	<b>23.78</b>	<b>38.37</b>	<b>39.12</b>
Selling, General and other Administrative expenses	0.65	1.18	1.47
<b>Operating Expenses</b>	<b>24.43</b>	<b>39.55</b>	<b>40.59</b>
<b>OPBDIT</b>	<b>1.48</b>	<b>1.46</b>	<b>2.39</b>
Depreciation/Amortization/Impairment	0.11	0.11	0.12
<b>OPBIT</b>	<b>1.37</b>	<b>1.35</b>	<b>2.27</b>
Interest and Finance Charges	0.55	0.88	1.43
<b>OPBT</b>	<b>0.81</b>	<b>0.47</b>	<b>0.84</b>
Non Operating Income(Expenses)	0.02	0.12	0.27
<b>PBT</b>	<b>0.83</b>	<b>0.59</b>	<b>1.11</b>
Provision for Taxes	0.28	0.19	0.35
<b>PAT</b>	<b>0.55</b>	<b>0.40</b>	<b>0.76</b>

## Annexure II – Abridged Balance Sheet

<b>Crores</b>	<b>31-Mar-2012</b>	<b>31-Mar-2013</b>	<b>31-Mar-2014</b>
<b>Liabilities</b>			
<b>EQUITY AND RESERVES</b>	<b>7.67</b>	<b>8.07</b>	<b>10.33</b>
Share capital	3.65	3.65	4.25
Reserves and Surplus	4.02	4.41	6.08
<b>Non-current liabilities</b>	<b>0.63</b>	<b>5.84</b>	<b>6.59</b>
Long-Term Borrowings	0.35	5.57	6.27
Deferred tax Liabilities (Net)	0.28	0.26	0.32
<b>Current liabilities</b>	<b>5.07</b>	<b>7.32</b>	<b>9.35</b>
Short-Term Borrowings	2.93	6.63	7.49
Current Portion Of Long Term Debt	0.00	0.00	0.00
Trade Payables	1.73	0.37	1.39
Other Current Liabilities	0.09	0.10	0.09
Short-Term Provisions	0.31	0.23	0.37
<b>Total Liabilities</b>	<b>13.37</b>	<b>21.23</b>	<b>26.27</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1.76</b>	<b>2.68</b>	<b>3.95</b>
Net Fixed assets	1.35	1.28	2.68
Capital Work-In-Progress	0.31	1.29	1.03
Long Term Loans and Advances	0.10	0.11	0.23
<b>Current assets</b>	<b>11.61</b>	<b>18.55</b>	<b>22.32</b>
Inventories	5.70	7.51	7.66
Trade Receivables > Six Months	0.37	0.89	1.62
Trade Receivables < Six Months	4.12	7.38	11.13
Cash and Cash Equivalents	0.62	1.12	0.51
Short-Term Loans and Advances	0.43	0.72	0.94
Other Current Assets	0.36	0.93	0.46
<b>Total Assets</b>	<b>13.37</b>	<b>21.23</b>	<b>26.27</b>

## Annexure III – Key Ratios

<b>Ratios (as per BWR calculations)</b>		<b>FY12 (A)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>
Total Debt/ Tangible Networkth	Times	0.43	1.51	1.33
Interest Service Coverage Ratio	Times	2.66	1.66	1.68
Debt Service Coverage Ratio	Times	2.19	1.49	1.04
Tangible Net Worth	Crores	7.67	8.07	10.33
Operating Profit Margin	%	5.70	3.57	5.56
Net Profit Margin	%	2.13	0.96	1.78
ROCE	%	12.17	8.51	10.10
Net Cash Accruals/Total Debt	Times	0.15	0.03	0.06
Current Ratio	Times	2.29	2.53	2.39