

Rating Report

Brickwork Ratings reaffirm ratings BWR BB- for the Bank Loan Facilities aggregating to ₹ 8.15 crore of Ajanta Polymers Pvt. Ltd.

Brickwork Ratings has re-affirmed following ratings for the bank loan facilities of Ajanta Polymers Pvt. Ltd. (APPL or the 'Company') as under :-

Facility	Existing Limits (Rs Crs)	New Limits (Rs.Cr)	Tenure	Present Rating [^]	Rating History
Fund based					
Cash Credit	6.00	6.00	Long term	BWR BB- (Pronounced as BWR Double B Minus) (Re-affirmed) (Outlook :Stable)	BWR BB- (Pronounced as BWR Double B Minus) (Outlook:Stable)
Term Loan	3.27	2.15			
Total	9.27	8.15	Rs 8.15 crore (INR Eight Crore and Fifteen Lakh Only)		

[^]Please refer to BWR website www.brickworkratings.com for definition of the rating assigned

BWR has principally relied upon the audited financial results of Ajanta Polymers Pvt. Ltd. upto FY16, information/clarifications provided by the company and other publicly available information.

The assigned ratings derive comfort from the experienced promoters of company in the same line of business, growing top line, low gearing and average working capital management. However, the ratings are constrained by a small scale of operations, deterioration in conversion cycle, low net profitability margins and exposure to risks arising from the significant presence of organized and unorganized competitors.

Background:

Ajanta Polymers Private Limited (APPL) was incorporated in 2009 and is part of the Ajanta Group. It has its registered office is at New Delhi. Ajanta Group was established 1974 and are among the leading producers of Chlorinated Paraffin, Azodicarbonamide (Blowing Agent) in India. Business operations are run under its two group concerns viz. Ajanta Chemical Industries and Ajanta Polymers Pvt. Limited

Azodicarbonamide-ADC (Blowing Agent) is used extensively as a foaming agent for Rubber, Plastics and Leather Cloth Industries and also DNPT (Di Nitroso Pentamethylene Tetramine) which is used as an input material for ADC and mostly consumed in-house. APPL's plant is located at Alwar.

Financial Performance:

As per the audited financials of APPL for FY16, top line of the company marginally increased from Rs. 28.54 Crs in FY15 to Rs. 29.06 Crs in FY16. PAT is at Rs 0.56 Crs in FY16 against Rs. 0.16 Crs in FY15. Net worth is Rs 5.63 Crs in FY16 against total debt of 15.85.

Key Rating Determinants:

High Financial Risk:

Turnover of the company marginally increased from Rs. 28.54 Crs in FY15 to Rs. 29.06 Crs in FY16 and PAT improved significantly from Rs. 0.16 Crs in FY15 to Rs 0.56 Crs in FY16. Operating profit margin and net profit margin for the company stood at 11.61% and 1.91% respectively in FY16. TOL/TNW improved from 2.37 times in FY15 to 1.62 times as per FY16 audit and cash accrual increased from Rs 0.47 in FY15 crore to Rs 1.60 crore in FY16.

Moderate Management Risk:

Mr. Sajjan Agarwal & Mr. Naresh Agarwal are the directors of the company with 30 years of experience in the chemical polymers industry.

High Business Risk:

Industry characterized by intense competition from competitors which could adversely affect profit margins of company.

Moderate Industry Risk:

The market is expected to reach an estimated US \$567 billion in 2017 with a CAGR of 3.8% over the next five years (2012-2017). AMI forecasts that at the Indian sub-continent current rate of growth thermoplastics market will surpass 20 million tons by 2020. Continuing growth in the demand for plastic materials in end-user markets, technological advances, and strong R&D capabilities are main reasons for industry growth.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to improve its top line growth and profitability margins significantly, bring down the conversion cycle to reasonable numbers, efficiently manage its working capital besides augment its capital structure would remain the key sensitivities.

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AJANTA POLYMERS PVT. LTD.
ANNEXURE I – STATEMENT OF PROFIT AND LOSS ACCOUNT

Crores	FY13	FY14	FY15	FY16	FY17
Result Type	Audited	Audited	Audited	Audited	Projected
Gross Sales	14.93	24.26	28.54	29.06	37.75
Operating Expenses	12.78	21.40	25.19	25.69	33.62
OPBDIT	2.14	2.86	3.35	3.37	4.13
Depreciation/Amortization/	1.03	1.32	1.41	1.22	1.28
OPBIT	1.12	1.53	1.94	2.16	2.84
Interest and Finance Charge	0.99	1.30	1.70	1.71	1.49
OPBT	0.13	0.23	0.24	0.45	1.35
Non Operating Income(Expense)	0.01	0.12	0.25	0.10	0.25
PBT	0.14	0.36	0.50	0.55	1.60
Provision for Taxes	0.04	0.11	0.33	-0.003	0.32
a)Current Tax	na	na	na	0.106	na
b)Deferred Tax Liability (Asset)	na	na	na	-0.109	na
PAT	0.10	0.24	0.16	0.56	1.28

AJANTA POLYMERS PVT. LTD.
ANNEXURE II – BALANCE SHEET

Crores	FY13	FY14	FY15	FY16	FY17
Result Type	Audited	Audited	Audited	Audited	Projected
Equity and Shares	2.72	3.21	5.07	5.63	7.88
Share capital	0.84	1.31	1.99	1.99	1.99
Reserves and Surplus	0.95	1.90	3.08	3.64	5.90
Non-current liabilities	5.89	9.04	6.74	11.02	4.30
Long-Term Borrowings	5.74	8.85	6.31	10.70	4.30
a)secured term loans	na	na	3.06	1.64	na
others(unsecured)	na	na	3.25	9.06	na
Deferred tax Liabilities (Net)	0.15	0.19	0.43	0.32	0.00
Current liabilities	4.03	5.37	8.52	7.18	8.63
Short-Term Borrowings	2.32	2.06	4.58	3.74	6.00
Current Portion Of Long Term Debt	0.94	1.35	1.60	1.41	0.43
Trade Payables	0.70	1.70	2.25	1.87	0.87
Total Liabilities	12.64	17.61	20.33	23.82	20.82
ASSETS					
Non-current assets	8.90	11.29	11.27	12.05	8.46
Net Fixed assets	8.83	11.10	10.96	11.64	8.21
Long Term Loans and Advances	0.06	0.18	0.31	0.41	0.25
Current assets	3.73	6.33	9.06	11.77	12.36
Current Investments	0.00	0.00	0.00	0.07	0.00
Inventories	1.72	1.60	1.87	1.75	5.09
Trade Receivables > Six Months	0.00	0.04	0.09	0.21	0.00
Trade Receivables < Six Months	1.82	4.19	6.11	7.74	7.08
Cash and Cash Equivalents	0.09	0.29	0.47	1.60	0.19
Short-Term Loans and Advances	0.10	0.21	0.53	0.40	0.00
Total Assets	12.64	17.61	20.33	23.82	20.82

AJANTA POLYMERS PVT. LTD.
ANNEXURE III – FINANCIAL RATIOS

Crores	FY13	FY14	FY15	FY16	FY17
Result Type	Audited	Audited	Audited	Audited	Projected
Long Term Borrowings	5.74	8.85	6.31	10.70	4.30
Short Term Borrowings	2.32	2.06	4.58	3.74	6.00
Current Portion Of Long Term	0.94	1.35	1.60	1.41	0.43
Total Debt	8.99	12.26	12.49	15.85	10.73
Tangible Net Worth	2.71	3.21	5.07	5.63	7.88
Total Debt/TNW	3.32	3.82	2.46	2.82	1.36
Long Term Debt/TNW	2.12	2.76	1.24	1.90	0.55
TOL/TNW	3.36	2.86	2.37	1.62	1.23
ISCR	2.17	2.20	1.98	1.98	2.76
DSCR	1.02	1.28	1.08	1.05	1.26
Net Cash Accruals/Total Debt	0.13	0.13	0.13	0.10	0.24
Net Profit Margin	0.68	1.00	0.57	1.91	3.39
Operating Profit Margin	14.37	11.77	11.75	11.61	10.93
ROCE	10.83	11.16	11.52	10.84	14.03
Current Ratio	0.93	1.18	1.06	1.64	1.43
Days Receivables	23	46	67	89	73
Days Inventory	39	30	27	28	41
Days Payable	2	12	26	30	15
Conversion Cycle	59	64	67	87	98