

March 04, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>1.50</b>	<b>SMERA B-/Stable (Assigned)</b>
<b>Cash Credit (proposed)</b>	<b>1.50</b>	<b>SMERA B-/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>5.00</b>	<b>SMERA A4 (Assigned)</b>
<b>Letter of Credit (proposed)</b>	<b>2.50</b>	<b>SMERA A4 (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA single B minus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.10.50 crore bank facilities of Agroflex Reinforce Inc (ARI). The outlook is '**Stable**'. The ratings are constrained by the firm's small-scale operations. The ratings are also constrained by the decline in the firm's profit margins amidst intense competition in the chemical industry. The ratings note that the firm's profitability is susceptible to volatility in material prices. However, the ratings are supported by the firm's experienced management.

ARI, established in 1985, is a Chennai-based partnership firm engaged in trading of chemical products. ARI has small-scale operations marked by revenues of Rs.15.43 crore in FY2013–14 (refers to the financial year, April 01 to March 31). The firm's net profit margin has declined from 2.69 per cent in FY2010–11 to 1.07 per cent in FY2013–14. ARI's net profit of Rs.0.09 crore (in FY2013–14) is supported by rental income of Rs.0.09 crore. The firm faces intense competition from several players in the chemical industry. ARI's profit margins are highly susceptible to volatility in prices of chemicals.

ARI benefits from its experienced management. The partners of the firm have around three decades of experience in the chemical industry.

### **Outlook: Stable**

SMERA believes ARI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations while achieving healthy profitability. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability in revenues or in case of deterioration in the firm's profitability and financial risk profile.

### **About the firm**

ARI, established in 1985, is a Chennai-based partnership firm engaged in trading of chemical products. ARI cater to customers in Tamil Nadu and Pondicherry.

For FY2013–14, ARI reported profit after tax (PAT) of Rs. 0.09 crore on operating income of Rs.15.40 crore, as compared with PAT of Rs.0.06 crore on operating income of Rs.12.20 crore in FY2012–13. As per provisional financial statements, the firm reported PAT of Rs.0.12 crore on operating income of Rs.12.92 crore during April 01, 2014 to February 11, 2015. ARI's net worth stood at Rs.1.24 crore as on March 31, 2014, as compared with Rs.1.23 crore a year earlier.

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