

BB Asia Impex Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB (Reaffirmed)
Letter of Credit	7.50	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the ratings of **'SMERA BB' (read as SMERA double B)** and **'SMERA A4+' (read as SMERA A four plus)** on the above mentioned bank facilities of BB Asia Impex Private Limited (BBAIPL). The outlook is **'Stable'**.

The ratings continue to derive comfort from the extensive industry experience of the directors, stable profit margins and moderate financial risk profile. The ratings are also supported by the favourable demand outlook for polymers. However, the ratings are constrained by the decline in revenue in the absence of DEPB scheme benefits, stretched liquidity position and susceptibility of profitability to fluctuation in raw material prices.

SMERA has consolidated the business and financial risk profiles of Petro Plast Industries Limited and B.B. Asia Impex Private Limited referred to as the Petro Group. The consolidation is in view of the similarity in the business models and common ownership.

Update

BBAIPL was incorporated in 2004 by Mr. Om Prakash Agarwal, Mr. Ajay Kumar Agarwal, Mr. Raj Kumar Agarwal and Mr. Amit Kumar Agarwal, Directors who possess around three decades of experience in the polymers and chemical trading business. The management has also established relations with key suppliers of polymers, chemicals for over 10 years. The company has a diversified customer base in Tamil Nadu, Andhra Pradesh and Pondicherry.

The group's revenue increased from Rs.213.09 crore in FY2014-15 to Rs.232.86 crore in FY2015-16 (provisional). Further, the group registered revenue of around Rs.70.09 crore from April to June 2016. The group has been able to maintain profit margins marked by EBIDTA margins of 4.97 per cent in FY2015-16 (provisional) as compared to 4.81 percent in FY2014-15. Additionally, PAT margins grew by 1.10 per cent in FY2015-16 (provisional) as compared to 0.69 per cent in FY2014-15. The financial risk profile of the company continues to be moderate marked by ICR of 1.29 times and DSCR of 0.73 times as on March 31, 2016 (provisional) as compared to ICR of 1.29 times and DSCR of 0.98 times as on March 31, 2015. Further the net worth stood at Rs.23.62 crore as on March 31, 2016 (Provisional) as against Rs.20.99 crore in the previous year. The debt-equity ratio also improved to 1.92 times as on March 31, 2016 (provisional) from 2.31 times as on March 31, 2015.

The revenue declined in FY2015 due to government restriction on DEPB (Duty Entitlement Pass book) incentives. Both the companies are exposed to fluctuations in prices of crude oil. The pricing flexibility of the company is also minimal due to the presence of several players in the industry. As per the consolidated financials, working capital cycle is in the range of 50-80 days for the period FY2013 - FY2016. The GCA days is also high at around 245 days as on March 31, 2016 (Provisional) as compared to around 220 days as on March 31, 2015.

Rating Sensitivity Factors

- Scaling up of operations while sustaining profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that the entity will continue to benefit over the medium term from the promoters' extensive experience in the polymer and chemical trading business. The outlook may be revised to 'Positive', if the company achieves increased revenue growth while sustaining improvement in its profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins. The outlook may also be affected by major deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

Criteria applied to arrive at the ratings

- Trading Entities

About the Company

The Chennai-based Petro group comprising PPIL and B.B. Asia was established in 1979. PPIL and B.B. Asia were incorporated in 1995 and 2004 respectively. A Chennai-based company, promoted by Mr. Ajay Kumar Agrawal, Mr. Om Prakash Agrawal and others, PPIL imports and trades in polymers and chemical products.

For FY2015-16 (Provisional) consolidated profit after tax (PAT) is Rs.2.56 crore on an operating income of Rs.232.69 crore as compared to PAT of Rs. 1.47 crore on an operating income of Rs.1.47 crore for FY2014-15. On standalone basis, BBAIPL reported PAT of Rs. 0.56 crore on an operating income of Rs.64.78 crore for FY2015-16 (Provisional) as compared to PAT of Rs.0.17 crore on an operating income of Rs.52.02 crore for FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
16 July, 2015	Cash Credit	5.00	SMERA BB (Assigned)	-	Stable
	Letter of Credit	7.50	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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