

Press Release

BB Asia Impex Private Limited

January 25, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB /Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE D' (read as ACUITE D)** from **ACUITE BB (read as ACUITE double B)** and short term rating of '**ACUITE D' (read as ACUITE D)** from **ACUITE A4+ (read as ACUITE A four plus)** to the Rs. 12.50 crore bank facilities of BB Asia Impex Private Limited (BBAI).

The downgrade of the rating reflects continuous over draws in its working capital limits for over thirty days, and devolvement in its letter of credit facilities.

BBAI, incorporated in 1995, is a Chennai-based company promoted by Mr. Om Prakash Agarwal and family members. The company is engaged in the trading of polymers and chemicals. The company supplies its products to more than 200 customers across South India. It is a part of Petro group, which is into real estate, polymers and chemical trading business.

Petro Plast Industries Limited (PPIL), incorporated in 1995, is a Chennai-based company promoted by Mr. Om Prakash Agarwal and family members. The company is engaged in the trading of polymers and chemical products.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Petro Plast Industries Limited (PPIL) and BB Asia Impex Private Limited (BBAI) referred to as the Petro Group. The consolidation is in view of the common management, similarities in the business models and operational synergies. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The Petro group is in the said line of business since 1995. The promoter possess more than three decades of experience in the industry. Long track record of operations is expected to support in improvement of its business risk profile.

Weaknesses

- **Delays in servicing debt obligations**

The rating reflects devolvement of bills under its letter of credit, continuous over draws in its working capital limits for over 60 days lead to classification of the account as SMA-2; the stretch is owing to delay in receivables.

- **Below average financial risk profile**

Financial risk profile of the group is weak marked by moderately high total outside liabilities to total net worth (TOL/TNW), moderate gearing (Debt to Equity ratio), weak debt protection metrics and debt service coverage ratio (DSCR). TOL/TNW is moderately high at 3.73 times as on 31 March, 2018 as against 4.22 times as on 31 March, 2017. Gearing is moderate at 1.95 times as on 31 March, 2018 as against 1.87 times as on 31 March, 2017. Net worth stood at Rs.39.01 crore as on 31 March 2018, as against Rs.37.40 crore as on 31 March, 2017 (includes quasi equity of Rs.14.55 crore). Of the total

debt of Rs.76.02 crore, long term debt constitutes Rs.2.38 crore, unsecured loan of Rs.1.84 crore and

working capital loan of Rs.71.80 crore. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt are weak at 1.12 times and 0.01 times respectively in FY2018. Debt service coverage ratio is weak at 0.90 times in FY2018 as against 0.96 times as on 31 March, 2017. The company reported net cash accruals of Rs.1.00 crore against repayment obligations of Rs.2.33 crore in FY2018. Acuite believes that the ability of the group to improve the financial risk profile would be the key rating sensitivity factor over the medium term.

• Working capital intensive operations

Operations of the group are working capital intensive marked by high Gross Current Assets (GCA) which stood at 225 days in FY2018 as against 244 days in FY2017. This is mainly due to stretch in debtors which stood at 127 days in FY2018 as against 160 days in FY2017. Of the total debtors of Rs.91.72 crore for FY2018, debtors exceeding six months stood high at Rs.32.4 crore. Further, inventory cycle stood high at 95 days in FY2018 as against 85 days in FY2017. Devolvement of letter of credit bills and stretch in working capital management lead to continuous overdraws in its working capital limits. Acuite believes that operations are expected to be working capital intensive with stretched debtors and moderate inventory management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	263.01	260.23	232.38
EBITDA	Rs. Cr.	11.53	14.41	11.74
PAT	Rs. Cr.	0.79	1.31	1.38
EBITDA Margin	(%)	4.38	5.54	5.05
PAT Margin	(%)	0.30	0.50	0.59
ROCE	(%)	10.95	14.77	26.23
Total Debt/Tangible Net Worth	Times	1.95	1.87	1.68
PBDIT/Interest	Times	1.12	1.16	1.21
Total Debt/PBDIT	Times	6.15	4.58	4.73
Gross Current Assets (Days)	Days	225	244	207

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Nov-2017	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A4+ (Reaffirmed)
19-Sep-2016	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A4+

				(Reaffirmed)
16-Jul-2015	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	7.50	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Downgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE D (Downgraded)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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