

Oswal Polychem (OP)

Oswal Polychem: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	14.00	SMERA BB/Stable (Assigned)
Letter of Credit	5.00	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.19.00 crore bank facilities of Oswal Polychem (OP). The outlook is '**Stable**'.

The ratings draw support from the experienced management and healthy financial risk profile marked by low gearing, high interest coverage, high debt service coverage and comfortable liquidity (30 per cent bank cash credit limit utilised from February 2016 to July 2016). However, the ratings are constrained by fluctuating revenue profile and intense competition in the chemicals industry. SMERA also notes that the profitability is largely supported by other income.

OP has been trading in chemicals including PVC resin, plasticisers, EVA polymers among others since 2012. The firm achieved operating income of Rs.246.27 crore in FY2015-16, an improvement from Rs.181.79 crore in FY2014-15. The financial risk profile is comfortable marked by profit after tax of Rs.12.79 crore (including other income of Rs. 10.00 crore) in FY2015-16 with low gearing (debt-to-equity) of 0.80 times as on March 31, 2016. The gearing was 1.25 times in FY2014-15. Moreover, the interest coverage ratio stood at 6.72 times in FY2015-16 against 2.11 times in FY2014-15. The firm registered profit after tax (PAT) margin of 5.20 per cent in FY2015-16 as against 1.15 per cent in FY2014-15. OP operates in an intensely competitive segment of the chemicals industry.

Rating Sensitivity Factors

- Increasing scale of operations and profitability
- Improving profit margins and capital structure

Outlook: Stable

SMERA believes OP will maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and networth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Trading Entities

Oswal Polychem (OP)

About the Firm

The Delhi-based OP was incorporated in 2012 by Mr. Rajendra Giria and Mr. Chetan Giria. The firm trades in chemicals including PVC resin, plasticisers, EVA polymers among others.

For FY2015-16, the firm reported PAT of Rs.12.79 crore on operating income of Rs.246.27 crore, as compared with profit after tax (PAT) of Rs.2.09 crore on operating income of Rs.181.79 crore in FY2014-15. The net worth stood at Rs.22.24 crore as on March 31, 2016 against Rs.13.12 crore a year earlier.

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ABOUT SMERA

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