

## Press Release

### AMBANI ORGANICS LIMITED (AOL)

04 April, 2018



### Rating Reaffirmed And Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs. 25.37 Cr. (Enhanced from Rs. 15.37 Cr.)
<b>Long Term Rating</b>	SMERA B+/Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

*\*Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA B+** (read as **SMERA B plus**)' and short term rating of '**SMERA A4** (read as **SMERA A four**)' on the enhanced amount of Rs. 25.37 crore bank facilities of Ambani Organics Limited (AOL). The outlook is '**Stable**'.

Ambani Organics Limited (AOL) was incorporated as a private limited company in 1985 and started operations in 1991. Subsequently, in 2017 the constitution of the company has been changed to public limited company (Unlisted). The company is engaged in processing, importing, supplying and exporting high quality and safe dyes and chemicals. AOL processes best-in-class dyes and chemicals using pure raw material, including monomers with an environment friendly process. AOL has two manufacturing units in Tarapur, Maharashtra.

### Key rating drivers

#### Strengths

#### Experienced Management and Long Track Record of Operations

AOL was incorporated as a private limited company by Mr. Rakesh Shah. The company converted into a public limited company in FY2017. The directors Mr. Rakesh Shah and Ms. Apooni Shah have an experience of more than three decades in aforementioned line of business. AOL has a modern Research and Development Centre where they focus on developing speciality polymers and customer oriented applications.

SMERA believes that the long track record of operations and extensive experience of the management have helped the company maintain long term relations with customers and suppliers.

#### Healthy Revenue Growth

The company registered a growth of ~40.00 per cent for the period under study (FY2015-FY2017). The revenue for FY2017 stood at Rs.52.46 crore as against Rs.32.76 crore in FY2016. Further, the company has booked revenue of Rs.70.00 crore from the period of April, 2017 to February, 2018.

#### Diversified Product Portfolio

AOL has diversified product portfolio and it caters to various industries viz. Textile, Carpet, Adhesive, Paper, Paint and Construction.

### Weaknesses

#### Average Financial Risk Profile

The financial risk profile of the company is weak marked by net worth of Rs. 4.29 crore as on 31 March 2017 as against Rs. 3.44 crore as on 31 March 2016. The gearing stood improved at 2.93 times as on 31 March 2017 as against 3.81 times as on 31 March 2016. The total debt of Rs. 12.57 crore outstanding as on 31 March 2017 comprises Rs. 0.11 crore as unsecured loans from Directors, Rs. 9.74 crore as a working capital facility from the bank and Rs.2.72 crore as long term loan from the bank. The ICR improved to 1.88 times in FY2017 as against 1.07 times in FY2016.

The net cash accruals of the firm increased to Rs. 1.32 crore in FY2017 as against negative net cash accruals of Rs. 0.10 crore in FY2016. NCA/TD ratio stood at 0.11 times in FY2017 as against -0.01 times in FY2016.

#### Working capital intensive operations

AOL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 180 days in FY2017 compared to 215 days in FY2016. The GCA days are mainly dominated by high debtor days of 101 days in FY2017 compared to 118 days in FY2016. The average cash credit utilization for the past six months stood at ~100.00 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of AOL to arrive at the rating.

### Outlook – Stable

SMERA believes AOL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	52.46	32.76	37.63
EBITDA	Rs. Cr.	3.79	2.89	(3.45)
PAT	Rs. Cr.	0.85	(0.38)	(2.43)
EBITDA Margin	(%)	7.23	8.81	(9.18)
PAT Margin	(%)	1.61	(1.15)	(6.46)
ROCE	(%)	19.87	13.08	(17.76)
Total Debt/Tangible Net Worth	Times	2.93	3.81	2.70
PBDIT/Interest	Times	1.88	1.07	(1.05)
Total Debt/PBDIT	Times	3.46	6.77	(4.65)
Gross Current Assets (Days)	Days	180	215	135

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

None

### Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-May-2017	Cash Credit	Long Term	9.75	SMERA B+ / Stable (Assigned)
	Term Loan	Long Term	2.60	SMERA B+ / Stable (Assigned)
	Term Loan	Long Term	0.61	SMERA B+ / Stable (Assigned)

	Proposed Long Term Loan	Long Term	0.16	SMERA B+ / Stable (Assigned)
	Letter of Credit	Short Term	2.25	SMERA A4 (Assigned)

### Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.75	SMERA B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.37	SMERA B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.61	SMERA B+ / Stable (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.25 (Enhanced from Rs.2.25 Crore)	SMERA A4 (Reaffirmed)

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### ABOUT SMERA

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