

**Press Release**  
**Ambani Organics Limited**

November 15, 2018

**Rating Upgraded**



<b>Total Bank Facilities Rated*</b>	Rs.34.76 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

**Rating Rationale**

Acuité has upgraded the long-term rating from '**ACUITE B+**' (read as **ACUITE B plus**) to '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating from '**ACUITE A4**' (read as **ACUITE A four**) to '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.34.76 crore bank facilities of Ambani Organics Limited. The outlook is '**Stable**'.

The upgrade is on account of additional capital brought in by the company through equity financing by an IPO and steady growth in revenues and profitability over the years.

Ambani Organics Limited (AOL) was incorporated as a private limited company in 1985 and started operations in 1991. Subsequently, in 2018, the constitution of the company has been changed to a public limited company. The company is engaged in the manufacturing of specialty chemicals. AOL processes the raw materials in order to manufacture specialty chemicals used in industries such as paint, paper, automobile and agriculture among others. AOL has two manufacturing units in Tarapur, Maharashtra.

**Analytical Approach**

For arriving at its rating, Acuité has considered the standalone business and financial risk profile of AOL.

**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 2018. The directors Mr. Rakesh Shah and Ms. Apooni Shah have an experience of more than three decades in aforementioned line of business. The other directors sitting on the board of AOL also have more than two decades of industry experience. AOL has a modern Research and Development Centre where they focus on developing speciality chemicals.

• **Product Portfolio**

AOL is mainly involved in developing cost effective, efficient, eco-friendly and high-performance water emulsion specialty chemicals. The company has a dedicated R&D center to make room for continuous improvements and innovations. The chemicals developed by AOL are used in diversified fields such as textile, paints, paper, adhesives, construction and chemicals. AOL currently manufactures a wide range of specialty chemicals in their portfolio customizable to the use of specific industries.

• **Growth in Revenue**

AOL grew at a compounded annual growth rate of 14% from 2014 to 2018. The company's revenue for FY2018 stood at Rs. 65.30 crore as against Rs. 52.46 crore for FY2017. The company has also provided a Return on Capital Employed (RoCE) of 18.58% on an average from FY2016 to FY2018. The net cash accrual margin also improved to 3.52% for FY2018 from 2.52% for FY2017.

## Weaknesses

### • Client concentration

AOL sells their products in the domestic market as well as the export market. The company depends on a few number of clients for a major part of their revenue. Revenue from top 10 customers constituted 54.57 percent and 61.42 percent of the net sales for FY2018 and FY2017 respectively. The company caters to their clients on order basis and does not have any contractual sales demand for their product. Competition from other players in the domestic and international market makes it a risk for the company to depend on selective clients for a significant portion of their revenue. Any reduction of orders from the current top clients may result into reduction in revenue for the company.

### • Average Financial Risk Profile

The financial risk profile of the company is average, marked by net worth of Rs. 5.97 crore as on 31 March 2018 as against Rs. 4.29 crore as on 31 March 2017. The gearing stood improved at 2.69 times as on 31 March 2018 as against 2.93 times as on 31 March 2017. The total debt of Rs. 16.05 crore outstanding as on 31 March 2018 comprises of Rs. 0.82 crore as unsecured loans from Directors, Rs. 12.92 crore as a working capital facility from the bank and Rs. 1.60 crore as long term loan from the bank. The ICR improved to 2.36 times in FY2018 as against 1.88 times in FY2017. The net cash accruals of the firm increased to Rs. 2.36 crore in FY2018 as against Rs. 1.32 crore in FY2017. NCA/TD ratio stood at 0.11 times in FY2017 as against -0.01 times in FY2016.

### • Working Capital Intensive Operations

Operations of the company are working capital intensive marked by high Gross Current Assets (GCA) of 184 days in FY2018 as against 180 days in FY2017. This is mainly on account of extended credit terms with customers of around 3 months. The same has reflected in debtors at 88 days in FY2018 and 101 days in FY2017. Inventory stood at 63 days in FY2018 as against 47 days in FY2017. The same is supported by credit from suppliers of about 164 days in FY2018.

### Outlook: Stable

Acuite believes that AOL will maintain a 'Stable' outlook and continue to benefit over the medium term from its promoters' extensive experience in the chemical industry. The outlook may be revised to 'Positive' in case of significant growth in revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or in case of significant time or cost overruns while executing the project.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	65.30	52.46	32.76
EBITDA	Rs. Cr.	4.86	3.79	2.89
PAT	Rs. Cr.	1.76	0.85	(0.38)
EBITDA Margin	(%)	7.45	7.23	8.81
PAT Margin	(%)	2.70	1.61	(1.15)
ROCE	(%)	22.78	19.87	13.08
Total Debt/Tangible Net Worth	Times	2.69	2.93	3.81
PBDIT/Interest	Times	2.36	1.88	1.07
Total Debt/PBDIT	Times	3.25	3.46	6.77
Gross Current Assets (Days)	Days	184	180	215

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Instrument	Term	Amount (Rs. Cr.)	Rating / Outlook	Action
04/04/2018	Cash Credit	Long Term	9.75	ACUITE B+/ Stable	Reaffirmed
	Term Loan	Long Term	2.00	ACUITE B+/ Stable	Reaffirmed
	Term Loan	Long Term	0.61	ACUITE B+/ Stable	Reaffirmed
	Letter of Credit	Long Term	2.25	ACUITE A4	Reaffirmed
	Proposed Long Term Loan	Long Term	1.37	ACUITE B+/ Stable	Reaffirmed
29/05/2017	Cash Credit	Long Term	9.75	ACUITE B+/ Stable	Assigned
	Term Loan	Long Term	2.60	ACUITE B+/ Stable	Assigned
	Term Loan	Long Term	0.61	ACUITE B+/ Stable	Assigned
	Letter of Credit	Long Term	2.25	ACUITE A4	Assigned
	Proposed Long Term Loan	Long Term	0.16	ACUITE B+/ Stable	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	13.50	ACUITE BB/ Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.66	ACUITE BB/ Stable (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.35	ACUITE BB/ Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	18.25	ACUITE A4+ (Upgraded)

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### About Acuité Ratings & Research:

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