

Press Release

Avik Polchem

August 04, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 15.00 crore bank facilities of Avik Polchem. The outlook is '**Stable**'.

The Pune-based Avik Polchem (AP) is a partnership firm engaged in the processing, import and distribution of rubber chemicals. The ISO 9000 certified firm also trades in synthetic, natural rubber and polymers such as silicon, plastic-grades (PET, HDPE, LDPE etc) to name a few. The firm caters to the rubber and polymer industry.

Key Rating Drivers**Strengths**

- Established track record of operations and experienced management**

AP was set up as a partnership firm in 1984 by Mr. Nitin Joshi and Mrs. Sadhana Joshi. The partners have over three decades of experience in the processing and trading of chemicals.

- Efficient working capital management**

AP has efficient working capital management evident from the working capital cycle of around 50 days during the last three years. The gross current asset days stood at 109 days in FY2015-16 compared to 95 days in FY2014-15.

Weaknesses

- Moderate financial risk profile**

AP has moderate financial risk profile marked by net worth of Rs.8.66 crore as on 31 March, 2016 as against Rs.8.57 crore in the previous year. Further, the gearing stood at 0.79 times as on 31 March, 2016 as against 0.73 times as on 31 March 2015. The interest coverage ratio (ICR) stood at 1.39 times in FY2015-16 and 1.37 times in FY2014-15. Further, the NCA/TD stood at 0.06 as on 31 March, 2016.

- Foreign exchange fluctuation risk**

Since the firm imports around 80 per cent of its total purchases, the profit margins are susceptible to fluctuations in forex rates in the absence of any hedging mechanism.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the firm.

Outlook: Stable

SMERA believes that AP will maintain a stable outlook and benefit over the medium term from the extensive experience of its management. The outlook may be revised to 'Positive' if the revenues and cash accruals improve. Conversely, the outlook may be revised to 'Negative' if AP's profitability comes

under pressure or the firm has substantially high incremental working capital requirements leading to deterioration in its financial risk profile particularly liquidity.

About the Rated Entity - Key Financials

For FY2015-16, the firm registered profit after tax (PAT) of Rs. 0.13 crore on operating income of Rs.73.16 crore as against net profit of Rs.0.15 crore on operating income of Rs.77.85 crore in the previous year. The net worth stood at Rs. 8.66 crore as on 31 March, 2016 compared to Rs. 8.57 crore as on 31 March, 2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)

Not Applicable

*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	6.00	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary Senior Analyst - Rating Operations Tel: 022-67141159 vishal.choudhary@smera.in	

ABOUT SMERA

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