

Press Release

Avik Polychem

July 27, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 14.50 crore bank facilities of Avik Polychem. The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 0.50 crore bank facilities of Avik Polychem. The outlook is '**Stable**'.

Avik Polychem is an ISO 9000 certified company engaged in the business of supplying extensive range of rubber chemicals and rubber processing chemicals. AP was set up as a partnership firm in 1984 by Mr. Nitin Joshi and Mrs. Sadhana Joshi.

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 manufacturing of rubber and processing of chemicals.

Weaknesses

- **Stretched working capital management**

AP has a stretched working capital management evident from the working capital cycle of 68 days during FY2018 (Provisional) compared to a working capital cycle of 59 days in FY2017. The gross current asset days stood at 184 days in FY2018 (Provisional) compared to 107 days in FY2017. The inventory days stood at 30 for FY2018 (Provisional) compared to 27 days in FY2017. The debtor days appear stretched for FY2018 (Provisional) at 142 days compared to 72 days in FY2017.

- **Reduced margins**

The operating margins for AP in FY2018 (Provisional) have declined vis-à-vis FY2017. Operating margins for FY2018 (Provisional) stood at 0.62 per cent compared to 2.64 per cent in FY2017. The company recorded a negative PAT of Rs. 0.25 crore in FY2018 (Provisional) compared to a positive Rs. 0.57 crore in FY2017. ROCE for FY2018 (Provisional) stood at 4.25 per cent compared to 11.52 per cent in FY2017.

- **Moderate financial risk profile**

AP has moderate financial risk profile marked by net worth of Rs. 9.18 crore as on 31 March, 2018 (Provisional) as against Rs. 9.27 crore as on 31 March, 2017. Further, the gearing stood at 0.59 times as on 31 March, 2018 (Provisional) as against 0.85 times as on 31 March 2017. The interest coverage ratio (ICR) stood at 1.03 times for FY2018 (Provisional) and 1.68 times for FY2017. Further, the NCA/TD stood at 0.01 as on 31 March, 2018 (Provisional).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Avik Polychem to arrive at the rating.

Outlook: Stable

Outlook: Stable ACUITE believes the outlook on AP's rated facilities will remain stable over the medium term on account of the company's experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company registers a sustained growth in revenue while sustaining profit margins. Conversely, the outlook may be revised to 'Negative' if there is a further decline in the company's operating profit margins or in case of a continued significant deterioration in the company's capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	48.67	74.66	73.16
EBITDA	Rs. Cr.	0.30	1.97	1.72
PAT	Rs. Cr.	-0.25	0.43	0.13
EBITDA Margin	(%)	0.62	2.64	2.35
PAT Margin	(%)	-0.50	0.57	0.18
ROCE	(%)	4.25	11.52	9.95
Total Debt/Tangible Net Worth	Times	0.59	0.85	0.79
PBDIT/Interest	Times	1.03	1.68	1.39
Total Debt/PBDIT	Times	5.75	3.62	3.76
Gross Current Assets (Days)	Days	184	107	115

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Aug-2017	Cash Credit	Long Term	INR 6	ACUITE BB- / Stable
	Letter of Credit	Short Term	INR 9	ACUITE A4+

*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	7.50	ACUITE B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B+ / Stable

Contacts

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About Acuite Ratings & Research:

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