

Press Release

Ajay Industrial Polymers Private Limited

June 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs. 16.00 crore bank facilities of Ajay Industrial Polymers Private Limited. The outlook is '**Stable**'.

Ajay Industrial Polymers Private Limited (APPL) is a Delhi based company which was incorporated in 1982. APPL is promoted by Mr. Nitin Jain, Mrs. Bina Jain, Mr. Rajeev Jain, Mr. Robert Hollrigl and Mr. Maja Hollrigl. The promoters have a vast experience in the industry. The company is engaged in the manufacturing of various types of irrigation equipments such as drip irrigation, micro irrigation, landscape irrigation, turf and rain sprinkler irrigation etc. The company is currently present in the state of Gujarat.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

APPL was incorporated in 1982 is Delhi based company promoted by Mr. Nitin Jain; Mrs. Bina Jain, Mr. Rajeev Jain, Mr. Robert Hollrigl and Mr. Maja Hollrigl. Mr Nitin Jain and Mr. Rajeev Jain possesses around a decade of experience in the same line of business. Acuité believes that the established track record of APPL and extensive experience of management has benefited company by building healthy relationship with customers and suppliers.

Weaknesses

- **Weak financial risk profile**

The financial risk profile of APPL is weak marked by net worth Rs. 0.15 crore in FY2017 as compared to (-) Rs. 6.74 crore in FY2016. The increase in net worth is due to infusion of capital from director of Rs.12.50 crore in FY2017. Gearing (debt-equity) stood high at 110.75 times as on 31 March 2017. The gearing is high due to low net worth base. The total debt as on 31 March 2017 is Rs.17.09 crore which includes unsecured loan of Rs. 6.01 crore and Rs. 7.60 crore of term loans. The Interest Coverage Ratio (ICR) stood at (-) 2.88 times for FY2017 compared to (-) 4.06 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at (-) 2.91 times for FY2017. The net cash accruals against total debt (NCA/TD) stood at a -0.30 times in FY2017 as against -0.18 times in FY2016.

- **Working capital intensive operations**

APPL operates in working capital intensive nature of business marked by Gross Current Assets (GCA) of 626 days and 311 days in FY2016-17 and FY2015-16 respectively. The high GCA days emanate from the collection period and high inventory days of 281 and 113 days in FY2017. The operations are expected to remain capital intensive, as the company manufactures sprinkler and drip irrigation systems used in agriculture leading to a relatively high collection and inventory period. The company is exposed to the inherent cyclical in the industry.

- **Highly fragmented and competitive nature of operations**

APPL operates in a highly fragmented industry with a large number of players in the organized and unorganized sector limiting the bargaining power with customers.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of APPL to arrive at the rating.

Outlook: Stable

Acuité believes APPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.57	15.18	12.64
EBITDA	Rs. Cr.	-4.21	-5.26	-1.09
PAT	Rs. Cr.	-5.61	-6.89	-2.30
EBITDA Margin	(%)	-75.62	-34.65	-8.60
PAT Margin	(%)	-100.66	-45.41	-18.20
ROCE	(%)	-22.91	-26.70	-13.83
Total Debt/Tangible Net Worth	Times	110.75	-4.00	137.42
PBDIT/Interest	Times	-2.88	-4.06	-1.15
Total Debt/PBDIT	Times	-4.59	-5.43	-26.42
Gross Current Assets (Days)	Days	626	311	428

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)

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	8.00	ACUITE B- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B- / Stable

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About Acuité Ratings & Research:

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