

## Press Release

Ashok Alco Chem Limited

June 25, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 56.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 56.00 crore bank facilities of Ashok Alco Chem Limited. The outlook is '**Stable**'.

Ashok Alco-Chem Limited (AACL) based in Raigad, Maharashtra was incorporated in the year 1992 by Mr. Ashok Kadakia, Mr. Pankaj Kadakia and Mr. Anil Kadakia. The company was taken over by Aura Alkalies and chemicals Private Limited in the year 2009. AACL is engaged in the manufacturing of Ethyl Acetate and Acetaldehyde and in the trading of minerals and ceramic materials like bauxite, bentonite, kaolin, gypsum, iron ore, ball clay, quartz and feldspar, etc. The company has registered office in Mumbai and manufacturing facility at Mahad, Maharashtra with installed capacity of 25KT per annum for Ethyl Acetate and 7KT per annum for Acetaldehyde. The company caters to industries such as pharmaceutical industry, paints, and agriculture industry, perfumeries. Further the company is listed in BSE.

### Key Rating Drivers

#### Strengths

- **Established track record of operations and experienced management**

AACL was incorporated in 1992 by Mr. Mr. Ashok Kadakia, Mr. Pankaj Kadakia and Mr. Anil Kadakia and is engaged in manufacturing of Ethyl Acetate and Acetaldehyde. The directors of the company have more than two decades of experience in the aforementioned line of business and established track record for around two decades which has enabled to maintain healthy relationship with the customers and suppliers. Acuite believes that AACL will sustain the existing business risk profile on the back of established track record and experienced promoters in the chemical industry over the near to medium term.

- **Healthy financial risk profile**

The financial risk profile of MPPL is healthy marked by tangible net worth of Rs. 46.91 crore as on 31 March 2018 as against Rs. 46.66 crore as on 31 March 2017. The gearing stood low at 0.22 times as on 31 March 2018 as against 46.66 times as on 31 March 2017. The total debt of Rs. 10.32 crore outstanding as on 31 March 2018 comprises secured loan of Rs. 0.20 crore from the bank and Rs. 9.12 crore as working capital borrowing from the bank. The interest coverage ratio (ICR) stood at 4.16 times for FY2018 as against 3.36 times for FY2017. Debt service coverage ratio (DSCR) stood at 1.66 times in FY2018 as against 2.25 times in FY2017. Debt to EBITDA ratio stood at 1.22 times in FY2018 as against 1.95 times in FY2017. The net cash accruals stood at Rs. 4.67 crore in FY2018 as against Rs. 3.11 crore in FY2017. Acuite believes the company will sustain its financial risk profile on the back of healthy net cash accruals generation over the medium term.

- **Comfortable liquidity position**

AACL has comfortable liquidity marked by GCA days of 163 days in FY2018 as against 212 days in FY2017. The GCA days have improved due to early realisation from its receivables wherein the receivable days stood at 55 days in FY2018 as against 71 days in FY2017. The inventory holding period is low at 58 days in FY2018 as against 53 days in FY2017. The average bank limit utilization stood at 70-80 percent for the last six months ended April 2018. The company has unencumbered cash and bank balance of Rs. 5.81 crore as on 31 March 2018. Acuite believes the company will maintain sufficient

funds over the medium term in order to maintain its working capital cycle.

### Weaknesses

#### • Fluctuating revenue profile with uneven profitability margins

AACL has fluctuating revenue profile owing to high dependence on trading segment which contributed around 60 per cent of the total revenues in FY2016. The revenue stood at Rs. 160.32 crores in FY2018 as against Rs. 148.63 crores in FY2017 and Rs. 336.99 crores in FY2016. Currently the company has stopped the trading activity and the entire revenue generation is from the manufacturing activity. The profitability margins of the company are also uneven at 5.27 per cent in FY2018 as against 3.03 per cent in FY2017 and 5.78 per cent in FY2016. This is majorly on account of fluctuation in raw material prices. Acuite believes the ability of the company to scale up its operations and maintain the profitability margins over the medium term will be key rating sensitivity.

#### • Competitive and fragmented industry

The company is in the chemical compounds sector. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. However this risk is mitigated to an extent as management operating in this environment for last 26 years and the company has an established brand name.

### Analytical Approach

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

### Outlook: Stable

Acuite believes that AACL will continue to benefit over the medium term from its established presence in the chemical industry. The outlook may be revised to 'Positive' in case the company registers improvement in its scale of operations while achieving comfortable operating profit margin. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve scalability amidst intensifying competition in its area of operations or in case of deterioration in the company's profitability on account of rising costs, and higher than expected debt funded working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	160.32	148.63	336.99
EBITDA	Rs. Cr.	8.44	4.50	19.47
PAT	Rs. Cr.	3.55	2.09	12.38
EBITDA Margin	(%)	5.27	3.03	5.78
PAT Margin	(%)	2.21	1.41	3.67
ROCE	(%)	12.44	7.25	43.00
Total Debt/Tangible Net Worth	Times	0.22	0.25	0.15
PBDIT/Interest	Times	4.16	3.36	28.16
Total Debt/PBDIT	Times	1.22	1.95	0.32
Gross Current Assets (Days)	Days	163	212	124

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

ICRA, vide its press release dated November 15, 2017 had denoted the rating of Ashok Alco-Chem Limited as 'ICRA BB+/Negative/ A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'ICRA BB+/Negative/A4+' vide its press release dated September 21, 2017.

### 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	9.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3
Proposed cash credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- / Stable
Proposed term loan	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB- / Stable
Proposed letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3

**Contacts**

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 <a href="mailto:suman.chowdhury@acuite.in">suman.chowdhury@acuite.in</a></p> <p>Vishal Choudhary Senior Analyst - Rating Operations Tel: 022-67141159 <a href="mailto:vishal.choudhary@acuite.in">vishal.choudhary@acuite.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular,

*makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuite.*