

Press Release

Ashok Alco Chem Limited

December 13, 2019

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 44.00 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 44.00 crore bank facilities of Ashok Alco Chem Limited (AACL).

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Ashok Alco-Chem Limited (AACL) based in Mumbai, 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 manufacturing facility at Mahad, Maharashtra. Further the company is listed in BSE.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of AACL to arrive at this rating.

Key Rating Drivers

Strengths

•Experienced management

AACL was incorporated in 1992 by 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 which has enabled to maintain healthy relationship with the customers and suppliers.

Weaknesses

•Declining operating performance

AACL has incurred an operating as well as net loss for FY2019. Operating and net loss margins stood at (0.50) per cent and (1.74) per cent in FY2019. The same stood at 3.33 per cent and 2.26 per cent in the previous year. This decline can be attributed to sharp decline in the price of ethyl acetate, which accounts for over 70 per cent of the company's revenue. There also has been an increase in volatility in the raw material prices. The company has not been able to maintain profitability at the lower selling prices due moderate scale of operations.

•Deterioration of financial risk profile

The deterioration of financial risk profile of AACL is marked by decline in the tangible net worth to Rs. 43.42 crore as on 31 March 2019 from Rs. 46.60 crore as on 31 March 2018. Although the gearing stood low at 0.19 times as on 31 March 2019 and 0.22 times as on 31 March 2018, the interest coverage ratio (ICR) stood at (0.12) times for FY2019 as against 4.40 times for FY2018. Debt service

coverage ratio (DSCR) stood at (0.12) times in FY2019 as against 1.66 times in FY2018. The total debt of Rs. 8.40 crore outstanding as on 31 March 2019 comprises of working capital borrowing from the bank.

Liquidity Position: Stretched

AACL has stretched liquidity marked by negative net cash accruals for FY2019. The company has generated cash accruals of Rs. (1.80) crore in FY2019 as against Rs. 4.66 crore in FY2018. Further the company's net cash accruals have remained negative for the first two quarters of FY2020. The firm's working capital operations are marked by average gross current asset (GCA) days of 156 in FY2019 against 167 days in FY2020. The current ratio of AACL stands at 1.43 times as on March 31, 2019.

Rating Sensitivities

Not Applicable

Any Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	171.01	156.48
Profit after Tax (PAT)	Rs. Cr.	(2.97)	3.54
PAT Margin	(%)	(1.74)	2.26
Total Debt/Tangible Net Worth	Times	(0.12)	0.22
PBDIT/Interest	Times	(1.12)	4.40

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

ICRA vide its press release dated 14 August, 2018 has mentioned the rating of AACL as 'ICRA BB+/Negative/A4+' Issuer not cooperating as on 14-Aug-2018.

Any other information

Not Applicable

Applicable Criteria

- Trading entities- <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.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. Crore.)	Ratings/Outlook
21-Nov-2019	Cash Credit	Long Term	9.00	ACUITE B+/Stable (Downgraded from ACUITE BB+/Stable)
	Proposed Cash Credit	Long Term	10.00	ACUITE B+/Stable (Downgraded from ACUITE BB+/Stable)
	Cash Credit	Long Term	5.00	ACUITE B+/Stable (Downgraded from ACUITE BB+/Stable)

	Letter of Credit	Short Term	15.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A4 (Downgraded from ACUITE A4+)
26-Jun-2019	Cash Credit	Long Term	9.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
	Proposed Cash Credit	Long Term	10.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
	Cash Credit	Long Term	5.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded from ACUITE A3)
11-Mar-2019	Cash Credit	Long Term	9.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- (Withdrawn)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Term Loan	Long Term	11.00	ACUITE BBB- (Withdrawn)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Assigned)

***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 B+ (Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+ (Withdrawn)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Withdrawn)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Parth Pandit Analyst - Rating Operations Tel: 022-49294032 parth.pandit@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuite Ratings & Research:

Acuite 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 Acuite 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. Acuite 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, Acuite, 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) for the latest information on any instrument rated by Acuite.