



## Press Release

### Atvantic Finechem Private Limited (AFPL)

**October 15, 2024**

#### **Ratings**

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	168.65	IVR BBB/Stable (IVR Triple B with stable outlook)	--	Assigned	<a href="#">Simple</a>
Short Term Bank Facilities	16.00	IVR A3+ (IVR Single A Three plus)	--	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>184.65</b>	<b>(Rs. Rupees One Hundred Eighty-Four crore and Sixty-Five lakh Only)</b>			

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### **Detailed Rationale**

Infomerics Ratings has assigned the rating to the bank facilities of AFPL, reflects linkages with Meghmani and Ajanta - ORPAT as AFPL's promoters are directors of Meghmani and ORPAT group companies. The rating also reflects strong entry barriers as it is having patented technology from The Lubrizol Corporation Inc, strong industry outlook, comfortable adjusted tangible net worth capital structure and continued support from promoters in the form infusion of funds, and vast experience of promoters in the chemical industry. However, these ratings are partially offset by the nascent stage of operations, poor debt protection metrics, exposure to risk in the chemical industry.

The outlook is "Stable" with expected continued support from the Meghmani and ORPAT group and expected improvement in revenue and profitability from FY25 onwards.

#### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained improvement in revenue and profitability leading to improvement in overall debt protection metrics.



## Press Release

### **Downward Factors**

- Inability to achieve expected revenue and profitability and/or any unplanned debt led capex and/or any weakening of linkages with Meghmani or ORPAT group.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Strong Linkages with ORPAT and Meghmani Group:**

The promoters of AFPL are also the promoters of Meghmani Group (Flagship Company - Meghmani Organics Limited and EPIGRAL Ltd.) and ORPAT Group (Flagship Company Ajanta LLP). As per management, AFPL seeks guidance for its raw material requirement from Meghmani Group as the raw material suppliers of both the companies are same which helps them to obtain bulk purchase discount along with the benefits of preferred delivery. The plant location of Meghmani Organics Limited is adjacent to that of AFPL, which further helps in providing exchange of technical know-how.

##### **Support from promoters:**

AFPL has received continuous support from its promoters in the form of periodic fund infusion in the form of unsecured loans. Promoters have infused Rs. 162.68 crore till FY24(P) (period refers to 01<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024) in the form of unsecured loans and as per management, the promoters will infuse the funds in the company as and when needed either through unsecured loans or through equity. These unsecured loans from the promoters are interest free in nature and subordinated to the bank loans and will remain in the company till the tenure of the external borrowings.

##### **Strong Entry barriers and technology from Lubrizol Corporation:**

AFPL manufactures speciality monomers and polymers and enjoys strong entry barriers as these products require special technology. AFPL has purchased advanced technology to manufacture these products from "The Lubrizol Corporation", USA and AFPL has purchased rights to use patented technology. Further, AMPS and NaAMPS are registered trademarks of AFPL.



## Press Release

Also, in India there are only two players including AFPL which provides competitive advantage in the market. As per management, AFPL has already received product approvals from leading manufacturers for its products, and the export for these products is expected to increase due to quality. The management has also indicated that though the competition from China still exists, the end users prefer Indian products due to high qualitative factors.

### **Comfortable adjusted tangible net worth and capital structure:**

The adjusted tangible net worth stood at Rs. 130.92 crore as on March 31, 2024(P), despite loss of Rs.14.62 crore. However, with expected improvement in profitability from FY25 onwards, Infomerics expects tangible net worth to improve.

The capital structure improved and remained comfortable with adjusted overall gearing and adjusted TOL/TNW at 1.58x and 1.67x respectively as on March 31, 2024(P) due to increase in the unsecured loans as against 2.35x and 2.61x respectively as on March 31, 2023.

### **Vast experience of Promoters in the Chemical Industry:**

The combined experience of the promoters' spans over eight decades. Ms. Sandhya Patel is the executive director of AFPL, Mr. Maulik Patel is CMD (Chairman & Managing Director) of EPIGRAL limited and on the board of Meghmani Organics Limited, while Mr. Himanshu Bhalodia and Mr. Nevil Patel are also executive director of AFPL and represent the third generation of the ORPAT group. Mr. Ramesh Patel, the CEO of AFPL, oversees all plant operations and the company's finances. This wealth of experience within the management team contributes significantly to the company's ability to attract and retain clients.

### **Key Rating Weaknesses**

#### **Nascent stage of operations:**

AFPL has commenced its operations from the September 01, 2023. Due to this, AFPL has reported operating losses during FY24 (period refers to 01<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024); however, with stabilisation of operations AFPL's profitability is expected to improve from FY25 onwards which is reflected by its 1HFY25 performance, where AFPL has reported revenue of Rs. 71.62 crore with EBITDA margins of 25.31%.



## Press Release

### **Poor debt protection metrics:**

The debt protection metrics remained negative due to continued operating losses; however, it is expected to improve from FY25 onwards with expected generation of profits from FY25 onwards.

### **Exposure to risk in the chemical industry:**

Indian chemical exporters face significant risks due to the diverse regulatory landscapes governing the chemical industry worldwide. Each country has its own unique registration processes, and changes in export and import policies can have a substantial impact on the operations of these exporters.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating outlook](#)

[Policy on Default Recognition and post default curing period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Criteria On Parent/Group Support\\*](#)

*\*For arriving at the rating, INFOMERICS has considered the support from group companies -Meghmani Group and Ajanta & ORPAT Group.*

### **Liquidity – Adequate**

The liquidity of the company remains adequate marked by the healthy cash accruals as against the long-term debt repayment obligations for FY25-27. The gross cash accruals for FY24(P) stood at Rs. -9.13 crore and the cash and cash equivalents as on July 31, 2024, stood at Rs. 7.41 crore. The current ratio and quick ratio remained comfortable at 1.85x and 1.63x respectively as on 31<sup>st</sup> March 2024. The average working capital utilisation for last 12 months ended in August 2024 stood at 14.94%.



## Press Release

### About the Company

Incorporated in 2020 at Ahmedabad, Gujrat, the company manufactures the speciality chemicals like monomers, polymers. The management of AFPL comprises of members from the Meghmani Group and Ajanta – ORPAT Group, having long-standing experience in the chemical industry, instruments, watches manufacturing as well as machinery & equipment manufacturing. The promoters of the company had purchased patent of technology for production of AMPS from International fame and World's renowned organization "THE LUBRIZOL CORPORATION Inc.", to be only manufacturers in India also AMPS and NaAMPS are the registered trademark of AFPL.

### Financials (Standalone):

(Rs. crore)		
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	0.00	7.30
EBITDA	-1.12	-5.99
PAT	-1.07	-14.63
Total Debt	162.37	207.21
Adjusted Tangible Net Worth	69.11	130.92
EBITDA Margin (%)	--	NM
PAT Margin (%)	NM	NM
Adjusted Overall Gearing Ratio (x)	2.35	1.58
Interest Coverage (x)	NM	NM

\* Classification as per Infomerics' standards. NM – Not Meaningful

**Status of non-cooperation with previous CRA: Nil**

**Any other information:**

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned
1.	Term Loan	Long Term	123.65	IVR BBB/Stable	--	--	--
2.	Cash Credit*	Long Term	45.00	IVR BBB/Stable	--	--	--
3.	Bank Guarantee	Short Term	16.00	IVR A3+	--	--	--





## Press Release

*\*\*Cash Credit of Rs. 45.00 crore includes the sublimit of working capital demand loan of Rs. 45.00 crore, Letter of credit of Rs. 45.00 crore, Standby letter of credit of Rs. 45.00 crore, Pre-Shipment of finance of Rs. 25.00 crore and Post-Shipment of Finance of Rs. 25.00 crore.*

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



## Press Release

### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	--	March 2030	123.65	IVR BBB/Stable
Cash Credit*	--	--	--	--	45.00	IVR BBB/Stable
Bank Guarantee	--	--	--	--	16.00	IVR A3+

*\*\*Cash Credit of Rs. 45.00 crore includes the sublimit of working capital demand loan of Rs. 45.00 crore, Letter of credit of Rs. 45.00 crore, Standby letter of credit of Rs. 45.00 crore, Pre-Shipment of finance of Rs. 25.00 crore and Post-Shipment of Finance of Rs. 25.00 crore.*

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Atvantic-Finechem-15oct24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).