



Press Release

Ambani Organics Limited

March 02, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Bank Facilities	52.96	IVR BB+ (Positive) [IVR Double B Plus with Positive Outlook]	Assignment	Simple
Short Term Bank Facilities	22.00	IVR A4+ [IVR A Four Plus]	Assignment	Simple
Total	74.96	Seventy Four Crores & Ninety Six Lakhs		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assignment to the bank facilities of Ambani Organics Limited factors experience of the promoters, the demonstrated track record of the company in the specialty chemicals businesses, diversified product profile and a moderate financial risk profile.

The ratings, however, remain constrained on account of the company's relatively modest scale of operations, susceptibility of the profitability margins to the volatility associated with the chemicals business arising out of movements in fuel prices and exchange rate. The ratings are further constrained due to working capital intensive nature of operations, intense competition from organized and unorganized players and risks associated with the undergoing capex.

The Positive Outlook reflects IVR's expectation of an improvement in the company's scale of operations in FY22, capital structure optimisation and a likely increase in EBITDA following the commercialisation of capex undertaken in FY23.

Key Rating Sensitivities:

Upward Factors

- Timely completion of capex without any cost over run



Press Release

- Steady revenue growth and stable profitability, leading to increase in net cash accrual by 30%
- Improvement in the working capital cycle

Downward Factors

- Decline in revenue and profitability, leading to fall in cash accrual by more than 40%
- Weakening in the financial risk profile or further stretch in the working capital cycle, leading to pressure on liquidity
- Delay in implementation of capex

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters** - Incorporated in the year 1985, AOL has a long track record of operation of more than three decades in the aforementioned industry. The Promoter and the Managing Director of the company Mr. Rakesh Shah holds more than three decades of experience in the chemical industry. He is assisted by a second line of management (his son Mr Aashay Shah) who holds strong expertise of the chemical industry. The extensive experience of the promoters and established track record of operation has helped the company to maintain a healthy relationship with its customers and suppliers.
- **Diversified Product Portfolio** - The company offers a range of multiple specialty chemicals including binders, PVP, arcylic emulsions, acrylic polymers, thickeners, paint driers to name a few which finds application in various industries including paper industry, textile industry, carpet industry, etc. Thus being the manufacturer of an important raw material for many industries has helped the company to maintain a diversified clientele profile and has also helped the company to cater new customers over the years. The company is also engaged in exporting its products to countries like Nigeria, Vietnam, etc.
- **Moderate Financial Risk Profile** - AOL's financial risk profile is moderate marked by moderate net worth, high gearing coupled with moderate debt protection metrics and coverage indicators. The company's net worth stood at Rs.18.73Cr as on March 31,



Press Release

2021 as against Rs.17.09Cr as on March 31, 2020. The net worth levels have seen improvement over the last three years through FY2021. This is on account of limited accretion to reserves over the period. This is expected to further improve as the management has infused funds in FY22. The gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at around 1.81 times and 3.16 times respectively as on March 31, 2021 as against 1.17 times and 2.67 times respectively as on March 31, 2020. The company, on the other hand, generated cash accruals of Rs.2.68Cr in FY2021 as against Rs.2.56Cr in FY2020.

Key Rating Weaknesses

- **Modest Scale of Operations** - The revenue of the company has remained relatively modest over the past three fiscals with a total operating income of Rs 87.36cr in FY21 improving from Rs 73.38cr in FY20. EBITDA in absolute term continues to remain modest at Rs.6.49Cr in FY21 as against Rs.5.49Cr in FY20 limiting economies of scale. Subsequently, the PAT margins of the company have declined to Rs.1.87% in FY21 from Rs.2.07% in FY20. With relatively modest scale of operations any fluctuation in the price of the raw material or adverse forex price movements can affect the profitability of the company.
- **Working Capital Intensive Nature of Operations** - AOL's working capital operation is intensive in nature as it is reflected by its Gross Current Asset (GCA) days of around 233 days in FY2021 as against 227 days in FY2020. This is inherent in the aforementioned industry due to the nature of the product. The inventory holding period has improved but continues to remain elongated to 79 days as on March 31, 2021 as against 92 days as on March 31, 2020 due to the year-end impact. The debtor collection period has elongated to 112 days as on March 31, 2021 as against 114 days as on March 31, 2020. On the other hand, the company's credit payment period has improved to 72 days as on March 31, 2021 as against 109 days as on March 31, 2020. However, in FY2022, the debtor collection and the credit payment period is expected to improve.
- **Intense Competition in The Industry** – The company faces stiff competition from other organized and unorganized players in the industry, which limits its pricing



Press Release

flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

- **Susceptibility To Project Implementation & Stabilization Risk** – AOL is currently undertaking capex in tune of Rs 31.25cr for setting up of a new facility near Dahej, Gujarat for manufacturing of a new product line which consists of salicylic and peroxide derivatives. Timely completion of the capex within budgeted costs, timely commencement of commercial operations and offtake from the same will remain key monitorables. The plant is also susceptible to initial stabilization issues with capacity utilizations remaining a key monitorable.

Analytical Approach: Standalone

Applicable Criteria (Please add Hyperlink to the respective criteria):

Rating Methodology for Manufacturing Companies

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

Liquidity – Adequate

The company has a current ratio of 1.25X in FY21. The repayment obligations amount to INR 0.33 crore with gross cash accruals amounting to INR 3.81 crore; giving the company adequate balances left post payment of short term obligations reflecting healthy liquidity position. Owing to the healthy profitability and cash accruals, the coverage ratios are expected to be comfortable. The average utilization stands at 73.21% for a period of last twelve months.

About the Company

Ambani Organics Limited is a Maharashtra based Company incorporated in the year 1985 as a Private Limited Company. Later in the year 2017, the constitution of the company was changed to Public Limited and got listed in NSE in the year 2018. The company is engaged in manufacturing specialty chemicals that are extensively used in the industries like Paint, Paper, Automobile and Agriculture among others. The company has four manufacturing units located at Tarapur-Maharashtra with combined manufacturing capacity of 15300MTPA.



Press Release

The capacity utilization stood at around 74.29 percent in FY2021 as against 71.02 percent in FY2020.

Financials (Standalone/Combined/Consolidated):

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	73.38	87.36
EBITDA	5.49	6.49
PAT	1.52	1.63
Total Debt	19.92	33.89
Tangible Networth	17.09	18.73
Ratios		
EBITDA Margin (%)	7.49	7.42
PAT Margin (%)	2.07	1.86
Overall Gearing Ratio (x)	1.17	1.81

Status of non-cooperation with previous CRA: NA

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	2020-21	2019-20	2018-19
1.	Fund Based	Long Term	52.96	IVR BB+ (Positive)	NA	NA	NA
2	Non Fund Based	Short Term	22.00	IVR A4+	NA	NA	NA
	Total*		74.96				

*Details in Annexure I

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities



Press Release

and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities - UBI-TL III	-	-	-	0.54	IVR BB+/Positive Outlook (IVR Double B Plus with Positive Outlook)
Long Term Fund Based Bank Facilities - UBI -TL-IV	-	-	-	3.27	
Long Term Fund Based Bank Facilities - UBI-GECL1.0	-	-	-	2.49	
Long Term Fund Based Bank Facilities - UBI-GECL1.0 (Extn)	-	-	-	2.16	
Long Term Fund Based Bank Facilities - UBI-TL V	-	-	-	17.00	
Long Term Fund Based Bank Facilities - Cash Credit	-	-	-	12.50	
Long Term Fund Based Bank Facilities	-	-	-	10.00	



Press Release

- Cash Credit - Proposed					
Long Term Fund Based Bank Facilities - UBD under LC	-	-	-	5.00	
Short Term Non-Fund Based Bank Facilities - Letter of Credit	-	-	-	22.00	IVR A4+ (IVR A Four Plus)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Ambani-organics-lenders-mar22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: The Terms of sanction include standard covenants normally stipulated for such facilities.

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple
3.	Letter of Credit	Simple
4.	UBD under Letter of Credit	Simple

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.