



## Press Release

### Ambani Organics Limited (AOL)

April 24, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities – Term Loan	16.81 (Reduced from Rs 18.15 crore)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Term Loan	18.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Term Loan GECL	2.51	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Usance Bills Discounting	5.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	22.50	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities - LC	37.00	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Short Term Bank Facilities – Credit Equivalent Exposure	0.40	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Proposed Short Term	2.78	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
<b>Total</b>	<b>105.00</b> <b>(Rupees One hundred and five crores only)</b>			



## Press Release

### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of Ambani Organics Limited (AOL) continue to derive strength from the experienced promoters, diversified product portfolio and moderate financial risk profile. However, ratings are constrained by working capital intensive nature of operations and intense competition in the industry.

The outlook is revised from positive to stable keeping in view the delayed commercial operations of the project than envisaged earlier.

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

##### **Upward Factors**

- Significant & sustained increase in scale of operations and debt protection metrics while maintaining the profitability.
- Improvement in the working capital cycle

##### **Downward Factors**

- Substantial decline in the revenue and/or profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.
- Major cost overrun in on-going capex affecting liquidity profile of the company.

### **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 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 ably assisted by a second line of management who holds experience of more than two decades in the 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.



## Press Release

### **Diversified Product Portfolio**

The company offers a range of multiple specialty chemicals including binders, PVP, acyclic 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.32.07Cr as on March 31, 2023, as against Rs.30.83Cr as on March 31, 2022. The net worth levels have seen improvement over the last three years on account of moderate accretion to reserves over the period. The gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at around 2.26 times and 2.64 times respectively as on March 31, 2023, as against 1.71 times and 3.28 times respectively as on March 31, 2022. The company, generated cash accruals of Rs.3.65Cr in FY2023 as against Rs.3.55Cr in FY2022.

### **Key Rating Weaknesses**

#### **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 185 days in FY2023 as against 206 days in FY2022. This is inherent in the industry due to the nature of the product. The inventory holding period has elongated to 66 days as on March 31, 2023, as against 61 days as on March 31, 2022. The debtor collection period is reduced but elongated to 83 days as on March 31, 2023, as against 90 days as on March 31, 2022. On the other hand, the company's credit payment period has elongated to 58 days as on March 31, 2023, as against 52 days as on March 31, 2022.



## Press Release

### **Intense Competition in The Industry**

The company faces stiff competition from other players in the industry, which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating outlook](#)

### **Liquidity – Adequate**

The cash balance of the company is reduced by 44.54 % from last year. As on FY23 its Rs. 5.85Cr and as on FY22 it was Rs.10.55Cr. The current ratio as on FY23 stands at 1.01x. The GCA as on FY23 is Rs.3.68Cr and repayment obligations is Rs.3.56Cr, stating the company is just about sufficient. The liquidity has moderated due to new project Dahej Phase 2 as the project is in implementation phase.

### **About the Company**

AOI is a Maharashtra based Company incorporated in the year 1985 as a Private Limited Company. Later in the year 2018, the constitution of the company was changed to Public Limited and got listed in NSE in the same year. 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 15840MTPA. AOL had undertaken capex of Rs.18Cr for setting up Phase 2 of the new facility at Dahej, Gujarat for manufacturing of a new product line which consists of salicylic and peroxide derivatives. The project is expected to be completed by June 2025.



## Press Release

### Financials Standalone:

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	126.04	132.78
EBITDA	7.30	8.58
PAT	1.97	1.91
Total Debt	52.81	72.38
Adjusted Tangible Networkth	30.83	32.07
<b>Ratios</b>		
EBITDA Margin (%)	5.79	6.46
PAT Margin (%)	1.56	1.44
Overall Gearing ratio (times)	1.71	2.26

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (March 30, 2023)	Date(s) & Rating(s) assigned in 2021-22 (March 02, 2022)	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Bank Facility	Long Term	64.82	IVR BB+/ Stable	-	IVR BB+/ Positive	IVR BB+/ Positive	-
2.	Fund Based Bank Facility	Short Term	0.40	IVR A4+	-	IVR A4+	IVR A4+	-
3.	Non-Fund Based Facility	Short Term	37.00	IVR A4+	-	IVR A4+	IVR A4+	-
4.	Proposed Short Term	Short Term	2.78	IVR A4+	-	IVR A4+	IVR A4+	-



## Press Release

### Name and Contact Details of the Rating team:

Name: Jyotsna Gadgil  
Tel: (022) 62396023  
Email: [jyotsna.gadgil@infomerics.com](mailto:jyotsna.gadgil@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information 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.

### Annexure 1: Details of Facilities



## Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan IV	-	-	November - 2025	1.11	IVR BB+/ Stable
GECL 1.0	-	-	July - 2024	0.47	IVR BB+/ Stable
GECL 1.0 (Extn)	-	-	November - 2026	2.04	IVR BB+/ Stable
Term Loan V	-	-	January - 2029	15.70	IVR BB+/ Stable
Term Loan	-	-	September - 2027	18.00	IVR BB+/ Stable
UBD under LC	-	-	-	5.00	IVR BB+/ Stable
Cash Credit	-	-	-	22.50	IVR BB+/ Stable
LC	-	-	-	37.00	IVR A4+
Credit Equivalent Exposure	-	-	-	0.40	IVR A4+
Proposed Short Term	-	-	-	2.78	IVR A4+

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Ambani-Organics-apr24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** 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).