



## Press Release

### Ambani Organics Limited (AOL)

March 30, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities – Term Loan	18.81 (Reduced from Rs 20.81 crore)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Term Loan GECL	3.51 (Reduced from Rs 4.65 crore)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Usance Bills Discounting	5.00	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	22.50 (Enhanced from Rs 12.50 crore)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Short Term Bank Facilities – Letter of Credit	22.00	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Proposed Long Term	38.00	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Proposed Short Term	43.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
<b>Total</b>	<b>152.82</b> <b>(Rupees One hundred fifty- two crores and eighty two lakhs only)</b>			



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

#### **Detailed Rationale**

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

#### **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 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 ably assisted by a second line of management who holds experience of more than two decades in the aforementioned 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.30.83Cr as on March 31, 2022 as against Rs.18.73Cr as on March 31, 2021. The net worth levels have seen improvement over the last three years through FY2020. This is on account of moderate accretion to reserves over the period. This is expected to further improve as the management has plans to infuse funds in FY24. The gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at around 1.71 times and 2.64 times respectively as on March 31, 2022 as against 1.81 times and 3.16 times respectively as on March 31, 2021. The company, on the other hand, generated cash accruals of Rs.3.55 Cr in FY2022 as against Rs.2.68Cr in FY2021.

### **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 206 days in FY2022 as against 233 days in FY2021. This is inherent in the aforementioned industry due to the nature of the product. The inventory holding period has improved to 61 days as on March 31, 2022 as against 79 days as on March 31, 2021. The debtor collection period are reduced but elongated to 90 days as on March 31, 2022 as against 112 days as on March 31, 2021.



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### **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 company has a current ratio of 1.29X in FY22. The repayment obligations amount to INR 2.18 crore with gross cash accruals amounting to INR 3.55 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 fund-based utilization stands at 54% for a period of last twelve months ending January 2023.

### **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.



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### Financials Standalone:

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	87.36	126.04
EBITDA	6.49	7.30
PAT	1.63	1.97
Total Debt	33.89	52.81
Adjusted Tangible Networkth	19.42	30.83
<b>Ratios</b>		
EBITDA Margin (%)	7.42	5.79
PAT Margin (%)	1.86	1.56
Overall Gearing ratio (times)	1.71	1.71

\*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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 02, 2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facility	Long Term	49.82	IVR BB+/Positive	IVR BB+/Positive	-	-
2.	Non -Fund Based Bank Facility	Short Term	22.00	IVR A4+	IVR A4+	-	-
3.	Proposed Long Term	Long Term	38.00	IVR BB+/Positive	IVR BB+/Positive	-	-
4.	Proposed Short Term	Short Term	43.00	IVR A4+	-	-	-

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

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## Press Release

### 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)

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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
Term Loan III	-	-	2023	0.14	IVR BB+/ Positive
Term Loan IV	-	-	2025	1.67	IVR BB+/ Positive
GECL 1.0	-	-	2024	1.35	IVR BB+/ Positive
GECL 1.0 (Extn)	-	-	2026	2.16	IVR BB+/ Positive
Term Loan V	-	-	2029	17.00	IVR BB+/ Positive
UBD under LC	-	-	-	5.00	IVR BB+/ Positive
Cash Credit	-	-	-	22.50	IVR BB+/ Positive
Letter of Credit (Inland/Foreign)	-	-	-	22.00	IVR A4+
Proposed long term	-	-	-	38.00	IVR BB+/ Positive



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Proposed short term	-	-	-	43.00	IVR A4+
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**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-AmbaniOrganics-mar23.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).