



Press Release

Axel Polymers Limited

July 18, 2023

Ratings

| Instrument / Facility | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator |
|---|--------------------|--|---------------|--------------------------------------|
| Long Term Fund Based Bank Facilities – Term Loans | 5.25 | IVR BB-/ Stable (IVR Double B minus With Stable Outlook) | Assigned | Simple |
| Long Term Fund Based Bank Facilities – Cash Credit | 15.50 | IVR BB-/ Stable (IVR Double B minus With Stable Outlook) | Assigned | Simple |
| Short Term Non -Fund Based Bank Facilities – Letter of Credit | 6.50 | IVR A4 (IVR A Four) | Assigned | Simple |
| Total | 27.25 | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Axel Polymers Limited derive comfort from extensive experience of the promoter & moderate scale of operations & profitability amid intense competition. However, these rating strengths remain constrained by moderate financial risk profile and working capital intensive operations.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in revenue & profitability leading to improvement in debt protection metrics.

Downward Factors

- Any decline in revenue & profitability leading to sustained decline in debt protection metrics.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoter

Mr Gaurav Thanky (Managing Director) have more than two decades of experience in manufacturing polymer compounds. Benefits from his extensive experience, his keen understanding of local market dynamics, and healthy relationship with customers and suppliers should continue to support the business.

Moderate scale of operations & profitability amid intense competition

Although revenue of company has increased to over Rs 85.19 crore in fiscal 2023 but remain moderate in intensely competition industry which limits pricing power with suppliers and customers, thereby constraining profitability. EBIDTA margin & PAT margin increased from 5.64% (FY22) to 6.01% (FY23) and 1.25% (FY22) to 1.39% (FY23) respectively.

Key Rating Weaknesses

Moderate financial risk profile

The financial risk profile of company has been improving continuously during past few years ended on March 31, 2023. The overall gearing stood 2.59 times as on March 31, 2023 (against 3.04 times as on March 31, 2022). Furthermore, TOL/ATNW ratio was also improved from 4.15 times as on March 31, 2022, to 3.05 times as on March 31, 2023. Despite improvement, the financial risk profile remains moderate mainly on account of modest net worth of Rs 9.73 crore. The debt protection metrics were satisfactory with interest coverage of 1.73 times in FY23 (against 1.48 times in FY22). Over the medium term, financial risk profile expected to improve, although expected to remain leverage due to modest net worth.

Working capital intensive operations



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Gross current assets (GCA) were high at 197 days, driven by sizeable inventory of around 139 days and moderate receivables of 51 days in FY23. Company maintains high inventory to support repeat orders from existing customers. However, portion of working capital requirement is being met through creditors of 72 days. Over the medium term, operations are expected to remain working capital intensive.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria on Rating Outlook](#)

Liquidity – Adequate

The liquidity position of the company is adequate marked by moderate cash accruals as against its repayment obligations. The company's average fund based working capital limit utilisation stood at 88 % for Bank of Baroda for the last 12 months ended April 2023. The current ratio of the company stood modest at 1.30x as on March 31, 2023.

About the Company

APL, incorporated in 1992 at Vadodara, Gujarat. The company manufactures compounds, blends, and alloys of engineering and specialty polymers. AXEL is the largest manufacturer of Engineering Thermoplastic Compounds in India, catering to Multinationals and Domestic Corporates. It is listed on the Bombay Stock Exchange. Axel Polymers Limited has been merged with Dhara Petrochemicals Pvt Ltd (established in 2009).

Financials (Standalone):

INR in Crore



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| For the year ended* As on | 31-03-2022 | 31-03-2023 |
|-----------------------------|------------|------------|
| | Audited | Audited |
| Total Operating Income | 72.91 | 85.19 |
| EBITDA | 4.11 | 5.12 |
| PAT | 0.92 | 1.18 |
| Total Debt | 24.46 | 22.13 |
| Adjusted Tangible Net Worth | 10.02 | 12.79 |
| EBITDA Margin (%) | 5.64 | 6.01 |
| PAT Margin (%) | 1.25 | 1.39 |
| Overall Gearing Ratio (x) | 2.44 | 1.73 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | |
|---------|--|--------------------------------|--------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1. | Long Term Fund Based Bank Facilities – Term Loans | Long Term | 5.25 | IVR BB-/ Stable | - | - | - |
| 2. | Long Term Fund Based Bank Facilities – Cash Credit | Long Term | 15.50 | IVR BB-/ Stable | - | - | - |
| 3. | Short Term Non - Fund Based Bank Facilities – Letter of Credit | Short Term | 6.50 | IVR A4 | - | - | - |

Name and Contact Details of the Rating Analyst:

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|------------------------------|-------------------------|
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|------------------------------|-------------------------|



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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.

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Annexure 1: Details of Facilities



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| 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 – Term Loans | - | - | FY27 | 5.25 | IVR BB-/ Stable |
| Long Term Fund Based Bank Facilities – Cash Credit | - | - | - | 15.50 | IVR BB-/ Stable |
| Short Term Non - Fund Based Bank Facilities – Letter of Credit | - | - | - | 6.50 | 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-APL-jul23.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.