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Rating Rationale

April 30, 2021 | Mumbai

Axel Polymers Limited

Ratings upgraded to 'CRISIL B/Stable/CRISIL A4'

Rating Action

Total Bank Loan Facilities Rated	Rs.9 Crore
Long Term Rating	CRISIL B/Stable (Upgraded from 'CRISIL D')
Short Term Rating	CRISIL A4 (Upgraded from 'CRISIL D')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Axel Polymers Limited (APL) to 'CRISIL B/Stable/CRISIL A4' from 'CRISIL D/CRISIL D'.

The upgrade reflects sufficient track record of timely servicing of debt obligations and regular account conduct.

The ratings also reflect a below-average financial risk profile, large working capital requirement, and a modest scale of operations in the competitive engineering polymer compounding industry. These weaknesses are partially offset by the industry experience of the promoters.

Key Rating Drivers & Detailed Description

Weaknesses

Below-average financial risk profile: The networth was modest at Rs 1.99 crore, while the TOLTNW ratio was high at 7.02 times, as on March 31, 2020. The interest coverage and net cash accrual to total debt ratios were 1.43 times and 0.06 time, respectively, in fiscal 2020. With losses estimated in fiscal 2021, the financial profile remained constrained during the year.

Large working capital requirement: Gross current assets (GCA) were high at 177 days, driven by sizeable inventory of around 148 days and moderate receivables of 41 days, as on March 31, 2020. GCA days are estimated around 6-7 months as on March 31, 2021.

Modest scale of operations amid intense competition: Modest revenue of Rs 22.90 crore in fiscal 2020 amid intense competition limits pricing power with suppliers and customers, thereby constraining profitability. Revenue in fiscal 2021 is estimated at Rs. 23 cr remaining steady despite the initial disruptions on account of lockdown in Q1FY21. The scale up in operations and benefits from ongoing merger remain key monitorables for company.

Strength

Industry experience of the promoters

The chairman, Mr B K Bodhanwala, and director, Mr A B Bodhanwala, have more than two decades of experience in manufacturing polymer compounds. Benefits from their extensive experience, their keen understanding of local market dynamics, and healthy relationship with customers and suppliers should continue to support the business. CRISIL also takes note of the ongoing amalgamation with Dhara Petrochemicals Pvt Ltd, which awaits the final approval from NCLT.

Liquidity: Stretched

The liquidity is stretched reflected in highly drawn limits, modest cash accruals and low financial flexibility. The company has high bank limit utilization of 98%, over the 6 months to February 2021, driven by high working capital requirements. Company is estimated to have made cash profit in fiscal 2021 however its financial flexibility is constrained by modest networth and leverage capital structure.

Outlook Stable

CRISIL Ratings believes that the company shall continue to benefit from extensive promoter experience.

Rating Sensitivity factors

Upward factors

- Significant improvement in liquidity with moderation in bank limit utilization to below 90%.
- Sharp improvement in the working capital cycle

Downward factors

- Deterioration in working capital cycle with gross current assets of over 9 months
- Pressure on revenue or margin, constraining the accruals and liquidity

About the Company

APL, incorporated in 1992 at Vadodara, Gujarat, is promoted by Mr B K Bodhanwala and his family members. Mr. Gaurav Thanky is the managing director for company. APL manufactures compounds, blends, and alloys of engineering, specialty, and commodity polymers. It is listed on the Bombay Stock Exchange.

Key Financial Indicators

As on / for the period ended March 31		2020	2019
Operating income	Rs crore	22.90	24.37
Reported profit after tax	Rs crore	0.09	0.47
PAT margins	%	0.4	1.9
Adjusted Debt/Adjusted Net worth	Times	3.75	3.91
Interest coverage	Times	1.45	1.84

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Complexity levelsc	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	5.0	NA	CRISIL B/Stable
NA	Inland/Import Letter of Credit	NA	NA	NA	4.0	NA	CRISIL A4

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2021 (History)		2020		2019		2018		Start of 2018
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	5.0	CRISIL B/Stable		--	11-08-20	CRISIL D	02-08-19	CRISIL B+/Stable	10-05-18	CRISIL B/Stable	CRISIL B/Stable
Non-Fund Based Facilities	ST	4.0	CRISIL A4		--	11-08-20	CRISIL D	02-08-19	CRISIL A4	10-05-18	CRISIL A4	CRISIL A4

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	5	CRISIL B/Stable	Cash Credit	5	CRISIL D
Inland/Import Letter of Credit	4	CRISIL A4	Inland/Import Letter of Credit	4	CRISIL D
Total	9	-	Total	9	-

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
CRISILs Bank Loan Ratings

Media Relations	Analytical Contacts	Customer Service Helpdesk
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Saman Khan
Media Relations
CRISIL Limited
D: +91 22 3342 3895
B: +91 22 3342 3000
saman.khan@crisil.com

Naireen Ahmed
Media Relations
CRISIL Limited
D: +91 22 3342 1818
B: +91 22 3342 3000
naireen.ahmed@crisil.com

Rahul Subrato Kumar Guha
Director
CRISIL Ratings Limited
D:+91 22 4097 8320
rahul.guha@crisil.com

Neha Kantilal Sharma
Associate Director
CRISIL Ratings Limited
D:+91 79 4024 4507
neha.sharma@crisil.com

Gaurav Vinod Gupta
Manager
CRISIL Ratings Limited
D:+91 79 4024 4504
Gaurav.Gupta1@crisil.com

Timings: 10.00 am to 7.00 pm
Toll free Number:1800 267 1301

For a copy of Rationales / Rating Reports:
CRISILratingdesk@crisil.com

For Analytical queries:
ratingsinvestordesk@crisil.com

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