



Press Release

Axel Polymers Limited

September 17, 2024

Ratings

Instrument Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Term Loans	3.22	IVR BB-/Stable (IVR BB minus with stable outlook)	IVR BB-/Stable (IVR BB minus with stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities- Cash Credit	24.50	IVR BB-/Stable (IVR BB minus with stable outlook)	IVR BB-/Stable (IVR BB minus with stable outlook)	Reaffirmed	Simple
Short Term Facilities- Letter of credit	7.50	IVR A4 (IVR A four)	IVR A4 (IVR A four)	Reaffirmed	Simple
Short Term Facilities – Purchase Bill Discounting	5.00	IVR A4 (IVR A four)	-	Reaffirmed	Simple
Proposed	0.03	IVR BB-/Stable (BB minus with stable outlook/ IVR A4 (IVR A four)	-	Reaffirmed	Simple
Total		40.25			
		(Rupees Forty crore and twenty-five lakh only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale



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Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Axel Polymers Limited (APL). The ratings continue to derive comfort from extensive experience of the promoters, moderate scale of operations and profitability amid intense competition. However, these rating strengths remain constrained by moderate financial risk profile and commoditised nature of raw material.

The stable outlook has been assigned in view of steady growth in business.

Key Rating Sensitivities:

Upward Factors

- A sustained improvement in the revenue along with increase in the profitability and debt protection metrics.
- Improvement in overall gearing ratio.

Downward Factors

- Elongation in working capital cycle.
- Sharp reduction in the profitability

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters

Mr. A.B. Bodhanwala, the promoter of APL, brings over two decades of experience in manufacturing polymer compounds. His extensive understanding of local market dynamics and robust connections with customers and suppliers are anticipated to further enhance the business. Furthermore, the merger with Dhara Petrochemicals Pvt Ltd (DPPL) has allowed the company to benefit from the expertise of Mr. Gaurav Thanky, the Managing Director, thereby reinforcing its market position.

Moderate scale of operations and profitability amid intense competition

Total operating income increased nearly 50% from Rs 85.19 crore in FY23 (31st March 2022 to 31st March 2023) to Rs. 127.91 crore in FY24 (31st March 2023 to 31st March 2024) because of increased demand of products like Poly carbonate and PPE. EBITDA increased from Rs 5.12 crore in FY23 to Rs 5.79 crore in FY24 and PAT increased from Rs 1.18 crore in FY23 to Rs 1.55 crore in FY24. However, EBITDA margin declined from 6.01% in FY23 to 4.52% in FY24, and the PAT margin declined from 1.39% in FY23 to 1.21% in FY24, mainly due to



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rising raw material costs that APL couldn't pass on to new customers. In Q1FY25, higher shipping costs led to a loss. However, APL plans to gradually raise prices after building a solid customer base.

Key Rating Weaknesses

Moderate financial risk profile

The company's financial risk profile has gradually increased but remains moderate. The overall gearing ratio was 2.59x as of March 31, 2023, and 2.30x as of March 31, 2024. Additionally, TOL/ATNW was 3.05x as of March 31, 2023, and 2.89x as of March 31, 2024, due to a slight increase in Adjusted Tangible Net Worth from Rs. 12.79 crore to Rs. 15.61 crore during the same period. The debt protection metrics improved, with interest coverage rising from 1.62x as of March 31, 2023, to 2.04x as of March 31, 2024, due to lower interest expenses in FY24.

Commoditized nature of raw material

Prices of the key raw materials such as Plastic Granules – Poly carbonate, GLASS FIBER, PPE, Plastic Granules, Plastic Granules – Nylon are linked to global crude oil movements, hence volatile. Additionally, supply and demand dynamics, geopolitical factors, and global market trends can also influence their prices. Since raw material cost accounts for a bulk of total production cost, variation in rates may impact profitability.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate



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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 97% for Bank of Baroda for the last 10 months ended April 2024 and 93% for HDFC bank for the last 4 months ended July 2024. The current ratio of the company stood modest at 1.23x as on March 31, 2024.

About the Company

APL, incorporated in 1992 at Vadodara, Gujarat. The company manufactures compounds, blends, and alloys of engineering and specialty polymers. It is one of the large manufacturers of Engineering Thermoplastic Compounds in India, catering to Multinationals and Domestic Corporates. It is listed on the Bombay Stock Exchange. APL has been merged with DPPL, on September 1, 2021, which was the associate company of APL. DPPL has been established as an Engineering plastic trading company in India in the year 2000 and dealt with the trading products like DIC PPS, M S Resin, Thermoplastic Polyurethane etc.

Financials Standalone

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	85.19	127.91
EBITDA	5.12	5.79
PAT	1.18	1.55
Total Debt	22.13	21.34
Adjusted Tangible Net Worth	12.79	15.61
EBITDA Margin (%)	6.01	4.52
PAT Margin (%)	1.39	1.21
Overall Gearing Ratio (x)	1.73	1.37
Interest Coverage (x)	1.62	2.04

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Crisil Ratings moved the ratings of bank facilities of Axel Polymers Limited in the 'Issuer Not Cooperating' category vide Press Release dated 28th August 2023 due to non-submission of information by the company.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date-18 th July 2023	-	-
						-	-
1.	Long Term Bank Facility – Term Loan	Long Term	IVR BB-/Stable (IVR BB minus with stable outlook)	3.22	5.25	-	-
2.	Long Term Bank Facility – Cash Credit	Long Term	IVR BB-/Stable (IVR BB minus with stable outlook)	24.50	15.50	-	-
3.	Short Term Bank Facilities- Letter of credit	Short Term	IVR A4 (IVR A four)	7.50	6.50		
4.	Short Term Bank Facility- Purchase Bill Discounting	Short Term	IVR A4 (IVR A four)	5.00	-		
5.	Proposed	Long Term/ Short Term	IVR BB-/Stable (IVR BB minus with stable outlook/ IVR A4	0.03	-	-	-



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					Date-18 th July 2023	-	-
			(IVR A four)				

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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: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/Outlook
Long Term Bank Facilities-Term Loans	-	-	-	2028	3.22	IVR BB-/Stable (IVR BB minus with stable outlook)
Long Term Bank Facilities-Cash Credit	-	-	-	-	24.50	IVR BB-/Stable (IVR BB minus with stable outlook)
Short Term Facilities-Letter of Credit	-	-	-	-	7.50	IVR A4 (IVR A four)
Short Term Facilities-Purchase Bil Discounting	-	-	-	-	5.00	IVR A4 (IVR A four)
Proposed	-	-	-	-	0.03	IVR BB-/Stable (IVR BB minus with stable outlook/IVR A4 (IVR A four))



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Annexure 2: Facility wise lender details (Hyperlink to be added)

<https://www.infomerics.com/admin/prfiles/len-Axel-Polymers-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security		Detailed Explanation
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Name of the company/Entity	Consolidation/Combined Approach

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.