

## Avon Elastomers India

Instrument	Amount	Rating Action
	In Crore	As on May 2016
Fund based facilities	7.50	[ICRA]B+; assigned
Non fund based facilities	5.50	[ICRA]B+; assigned
Unallocated (Proposed Limits)	4.50	[ICRA]B+; assigned

ICRA has assigned its long term rating of [ICRA]B+ (pronounced ICRA B plus) to the Rs. 17.50 crore<sup>1</sup> fund based, non fund based and proposed bank facilities of Avon Elastomers India (AEI)<sup>2</sup>.

ICRA's rating is constrained by the intensely competitive nature of the thermoplastic compounds trading business, which combined with the moderate scale of the firm's operations has resulted in moderate operating profitability. The rating also takes into account the firm's elongated level of receivables and high levels of inventory, which has resulted in a tight liquidity position, as reflected in continuous high bank limit utilization. The high receivables and inventory levels have been funded through a corresponding high level of creditors as well. This has resulted in an elevated TOL/TNW3 ratio of 4.20x as on March 31, 2015. This apart, the rating is also constrained by the vulnerability of AEI's profitability to volatility in crude oil prices. ICRA also takes note of the partnership constitution of the firm which exposes it to risks of withdrawal of capital, risk of dissolution etc.

The rating however draws comfort from the long track record of AEI's promoters in Thermoplastic compounds trading business and the firm's established client relationships which have enabled it to garner repeat orders. The rating also takes into account the firm's strategic location, in Agra, Uttar Pradesh, which is a hub for footwear and allied products.

Going forward, the firm's ability to increase its scale of operations in a profitable manner while improving its liquidity position will be the key rating sensitivities.

### Company's Profile

Avon Elastomers India (AEI) was established in 1992 in Agra by Mr. Gagan Monga and Mr. Harkesh Monga. The firm currently trades in Thermo Plastic Rubber (TPR), Thermoplastic Polyurethane (TPU), Thermoplastic Elastomer (TPE) compounds and other allied products which find application in the footwear Industry. The firm primarily caters to domestic customers, who are generally manufacturers of footwear and traders of footwear products.

### Recent Results

In FY15, AEI reported a profit after tax (PAT) of Rs. 1.00 crore on an operating income of Rs. 35.62 crore, as against a PAT of Rs. 0.63 crore on an operating income of Rs. 31.67 crore in the previous year. In the nine months of FY16, the firm, on a provisional basis, reported an operating income of Rs. 22.68 crore.

**May 2016**

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