November 30, 2017

Anshika Polysurf Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Long Term/Short Term Fund Based limit	10.00	[ICRA]BB-(Stable)/[ICRA]A4; Assigned
Total	**10.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned long-term rating of [ICRA]BB- (pronounced ICRA double B minus) and a short-term rating of [ICRA]A4 (pronounced ICRA A four) to the fund based bank facilities of Anshika Polysurf Limited (APL or the company)[1]. The outlook on the long-term rating is 'stable'.

Rationale

ICRA's rating factors in the lineage of APL with being a part of Venus Group engaged in the manufacturing of specialty chemicals (surfactants, emulsion/binders, and ethoxylate) for the past three decades. ICRA has favourably considered extensive experience of the promoters in the specialty chemical industry and their established relations with customers as well as suppliersmerge above two points as they are essentially same. Furthermore, ICRA also takes a note of the diversified uses of these chemical which is likely to keep the customer concentration and end user cyclicality risk on a lower side.

However, ICRA's rating remains constrained due to the project risks involved in APL's maiden Greenfield project nature with only ~24% of the civil construction work completed till September'2017. Hence the execution risk in a the project remains significant and ability to complete the project within estimated cost/time remains to be seen. The total estimated cost of the project of Rs. 52.3 crore is being financed through a mix of term loan of Rs. 26.0 crore and rest from promoter's contribution. The funding risk for the project is low as promoter's have infused ~50% of their required commitment (hard cost as well as soft costs) into the project till September'2017 and debt has been tied up. Post commencement of operations, the capacity utilisation of the plant as well as contribution margins will be critical to determine the credit metrics of the company. ICRA also notes that the schedule commercial operation date (SCOD) of the project is April'2018 whereas the repayment of the term loan will start from March'2019 which provides some cushion for stabilisation of the business.

Going forward, company's ability to commence its plant as per schedule and within the estimated cost will be key rating sensitivities. Any delay in the execution or cost overrun would be monitored.

[1] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

Key rating drivers

Credit strengths

- **Experience of the promoters in the similar field:** APL is a part of "Venus Group", which is manufacturing organic and inorganic chemicals or specialty chemical for industrial usages from its manufacturing facilities situated in Sahibabad, Uttar Pradesh and Roorkee, Uttarakhand. The promoters of the 'Venus Group' have extensive experience of about three decades in same line of business.
- **Geographical advantages of the proposed plant:** APL is setting up a Greenfield project for commencement of specialty chemical manufacturing plant in Bharuch (Gujarat). The plant will have geographical advantages because of its proximity to Dahej (Gujarat) Port which is likely to provide easy access to imported raw materials. The end user industry is also situated in the proximity which is expected to keep the logistic cost low and provide the competitive edge over the competitors.
- **Diversified uses of the specialty chemicals proposed to be manufactured:** The company proposes to commence manufacturing of specialty chemicals such as surfactants, binders/emulsion, SBR emulsion, ethoxylate etc. from April 2018. These chemicals find application in diversified industries such as decorative paint industry, agro-chemical industry (Pesticides), cosmetic personal care (shampoos, and hair dye), construction and textile industry. Diversified uses of the goods are likely to keep the customer concentration as well as risks of cyclicality in the end user industry on a lower side.

Credit weaknesses

- **Nascent stage of the project:** The construction of the proposed plant was started in April'2017 and till September'2017 ~24% of the civil construction work has been completed. The company is planning to commence its commercial operations from April'2018. The project execution is in the nascent stage and any time-overrun in the project may increase the estimated cost of the project.
- **Inherent risk in a Greenfield project:** Like in any other Greenfield project, APL is exposed to inherent risks such as execution risk. Only ~24% of the civil construction work has been completed by September'2017 and a significant portion of the construction work is to be competed in the next six months. Apart from that, the promoters have infused ~50% of their committed share in the company. The timeliness of the remaining contribution by the promoters along with disbursement by the lender would be crucial for execution of the project in a timely manner.
- **Intense competition and fragmented nature of the industry:** The specialty chemical manufacturing industry is characterised by low fixed capital intensity with intense competition and fragmented nature of the industry. These factors are likely to keep the operating profit margins under check.
- **Ability to ramp-up its capacity utilisation after the COD would be crucial:** The company's ability to operate at the envisaged capacity utilisation is crucial to maintain adequate credit metrics.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:
[Corporate Credit Rating Methodology]

About the company:
APL was incorporated in September' 2015 to undertake the activities of manufacturing chemical (organic and inorganic). The company is planning to commence its operations from April'2018. It has acquired ~25000 Sq. Meters of land in GIDC, Bharuch Gujarat. APL proposes to set up a unit for manufacturing 66,180 MTPA of organic and inorganic chemicals for industrial usages.

The company is a part of "Venus Group", which is manufacturing organic and inorganic chemicals or specialty chemical for industrial usages from its manufacturing facilities situated in Sahibabad, Uttar Pradesh and Roorkee, Uttarakhand. The promoters of the 'Venus Group' are Mr Atul Jain, Mr. Anubhav Jain, Ms. Madhu Jain and Ms. Shelly Jain.

Key Financial Indicators
The company is in project stage therefore commercial activities were there in the past two years.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				November 2017	-	-	-
1	Fund Based	Long Term/Short Term	10.00	[ICRA]BB-(Stable)/[ICRA]A4	-	-	-

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based	2017	-	2026	10.00	[ICRA]BB- (Stable)/ [ICRA]A4

Source: Anshika Polysurf Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

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