ICRA

September 21, 2017

Ashok Alco-Chem Limited

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Long-term Fund Based Limits	Rs. 15.00 crore	[ICRA]BB+ re-affirmed; Outlook revised to Negative from Stable
Short-term Fund Based Limits	Rs. 00.22 crore	[ICRA]A4+ re-affirmed
Short-term Non-Fund Based Limits	Rs. 09.50 crore	[ICRA]A4+ re-affirmed
Short-Term – Interchangeable	(Rs. 03.00 crore)*	[ICRA]A4+ re-affirmed
Un-allocated limits	Rs. 01.28 crore	[ICRA]BB+ re-affirmed; Outlook revised to Negative from Stable [ICRA]A4+ re-affirmed
Total	**26.00**	

* Sub-limit within Rs. 9 crore LC/BC facility

ICRA has re-affirmed the long-term rating assigned to the Rs. 15 crore[1] long-term fund based limits of Ashok Alco-Chem Limited (AACL or 'the company')[2] at [ICRA]BB+ (pronounced as ICRA double B plus). ICRA has also re-affirmed the short-term rating assigned to the Rs. 9.72 crore fund and non-fund based limits of the company at [ICRA]A4+ (pronounced as ICRA A four plus).

The un-allocated amount of Rs. 1.28 crore has been rated by ICRA on both the scales at [ICRA]BB+ and [ICRA]A4+. The outlook on the long-term rating has been revised to 'Negative' from 'Stable'.

The revision in rating outlook takes into account the weakened financial performance of the company marked by decline in its operating income and profitability in Q1FY2018 over Q1FY2017 due to deterioration in performance of the manufacturing as well as trading division. As per the quarterly results announced on September 12, 2017, the operating income of AACL declined by 9% on a y-o-y basis to Rs. 38.80 crore during Q1FY2018 due to decline in revenues from the trading division. While the OPBDITA has increased from Rs. 1.87 crore in Q1FY2017 to Rs. 2.17 crore in Q1FY2018, ICRA notes that it is supported by other related income of Rs. 2.89 crore (Rs. 2.51 crore and Rs. 0.38 crore from trading and manufacturing division respectively). At PBIT level, the manufacturing division has reported a loss of Rs. 0.54 crore in Q1FY2018 as against a profit of Rs. 1.50 crore in Q1FY2017 while the trading division has reported a profit of Rs. 2.29 crore in Q1FY2018 as against a profit of Rs. 0.09 crore in Q1FY2017, which is largely supported by other related income.

Given the decline in top line in Q1FY2018, the ability of the company to meet revenue expectations for FY2018 and report profitability levels in line with previous fiscal remains to be seen and will be a key rating sensitivity.

However, the ratings continue to draw comfort from AACL's comfortable capital structure with a gearing of 0.25 times as on March 31, 2017 and the long experience of the management in the chemical manufacturing and mineral trading business.

The previous rating rationale is available on the following link: [Click here]

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[1] *100 lakh = 1 crore = 10 million*

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

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