

Rating Rationale

Brickwork Ratings assigns ‘BWR BB+’& ‘BWR A4+’ for the Bank Loan Facilities aggregating ₹42.50 Cr of POCL Enterprises Limited

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan Facilities of ₹42.50 Cr of POCL Enterprises Limited (POEL or ‘the company’)

Facility	(Amount ₹ Cr)	Tenure	Rating [^]
Fund Based- Cash Credit/OBDD/Bills	20.00	Long term	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable
Fund based – Packing Credit	5.00	Short term	BWR A4+ (Pronounced BWR A Four Plus)
Non Fund based- ILC/FLC/Buyers Credit Sub limit: Bank Guarantee	17.50 (1.00)	Short term	BWR A4+ (Pronounced BWR A Four Plus)
Total	42.50	INR Forty Two Crores and Fifty Lakhs Only	

BWR has principally relied upon the audited financial results up to FY15, and projected financials upto FY18, publicly available information and information/clarifications provided by the company.

The ratings reflect the experienced management, established market for the company’s products, healthy order book, reputed clientele and medium term revenue visibility of the company. The ratings are, however, constrained by the company’s limited track record, low profitability, high dependence on imported raw materials exposing the company to exchange rate fluctuation risk, high gearing and working capital intensive nature of business.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background:

POCL Enterprises Limited, an ISO 9001:2008 Company, started in 1988 in the name of Baschem Pharma Private Limited.

In years 1996-2000, Baschem Pharma Private Limited shares were acquired by M/s. Pondy Oxides and Chemicals Limited (POCL), a Public Listed Company and the Company became the subsidiary of POCL. In the year 2010, the Company's name was changed to POCL Enterprises Limited.

In 2013, the Board of Directors of Pondy Oxides and Chemicals Limited decided to demerge four of their manufacturing units namely (i) Metallic Oxides Division, (ii) Plastic Additives Division, (iii) Zinc Refining Division and (iv) Lead Alloy & Refining Division and these divisions have been acquired by POCL Enterprises Limited.

Now POCL Enterprises Limited has four manufacturing divisions which are transferred from POCL in addition to its one existing trading division. The Company has manufacturing units in Puducherry (formerly Pondicherry), Kakkalur – Thiruvallur, Maraimalai Nagar, Tamilnadu.

Management Profile:

The Managing Director of the Company is Mr.Devkar Bansal who has experience in the production areas of Metallic Oxides and PVC Stabilisers. Presently he is in charge of the entire production activity of the units of Metallic Oxides and Plastic Additives of the Company. Mr.Sunil Kumar Bansal is the Joint Managing Director who also has vast experience in this line of business.

Financial Performance:

The company has witnessed a sharp increase in its revenue level from 16.77 Crs in FY 14 to Rs.162.07Crs in FY15 as the company acquired the 4 demerged manufacturing units of POCL during FY 15. Though the Operating profit margin has improved from 3.55% to 4.04% in FY 15. the Net Profit Margin has only improved marginally from 0.61% in FY14 to 0.92% in FY15. Networth was at Rs.13.65 Crs as on FY15.

As per provisional results for Q1 FY16, POEL has reported revenue of Rs.47.37 crs. during the quarter.

Rating Outlook

The outlook of the company is expected to be stable over the medium term. Going forward, the company's ability to expand the lead sub oxide business and improve the revenues and profitability margins, realize its receivables in a timely manner, and achieve overall efficient working capital management will be the key rating sensitivities

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