

Press Release

AKCROS POLYMERS PRIVATE LIMITED

28 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB** (read as **SMERA BB**) on the Rs. 10.00 crore bank facilities of AKCROS POLYMERS PRIVATE LIMITED. The outlook is '**Stable**'.

Akcros Polymers Private Limited (APPL) is a Rajkot-based company incorporated in 1995 under the directorship of Mr.Ashwin Shah and Mr.Jiten Patel. The company is a distributor for Shree Santkripa Appliances Private Limited which in turn is the national distributor of Samsung India Electronics Ltd for the west-India zone. Further, APPL also distributes electronic products of Syska Accessories.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

APPL is engaged in the distribution of electronic products including mobile phones and related accessories, since 2006. Mr. Ashwin Shah and Mr.Jiten Patel have more than a decade of experience in distribution and trading of mobile phones. Earlier, they were distributors of M/s Malhotra Shaving Products Private Limited (1995-2003) for cosmetics and Parle Agro group company (2004-2006) for FMCG products which provided them extensive experience in trading and distribution.

- **Healthy working capitalcycle**

APPL's operations exhibit healthy working capital cycle marked by Gross Current Asset (GCA) days of 38 in FY2017 as against 37 in FY2016. The GCA days are mainly dominated by debtors of 16 days in FY2017 compared to 13 days in FY2016. The working capital days stood at 24 in FY2017 as against 17 in FY2016.

Weaknesses

- **Thin profitability**

APPL operates on thin margins, given the trading nature of its business. The EBITDA margin stood at 1.08 percent in FY2017 as compared to 1.12 percent in FY2016. The same can be attributed to highly competitive industry structure, necessitating trade discounts and sale schemes to drive growth.

- **Moderate financial risk profile**

APPL exhibits moderate financial risk profile marked by net worth of Rs 4.43 crore as on 31 March, 2017 compared to Rs 3.91 crore as on 31 March, 2016. The company has a debt to equity ratio of 2.29 times for FY2017 compared to 1.41 times for FY2016. The total debt includes unsecured loan of Rs 2.93 crore from the directors and relatives and short term borrowings of Rs 7.20 crore. The Interest Coverage Ratio (ICR) stood at 2.07 times for FY2017 compared to 1.92 times for FY2016. The total outstanding liability to total net worth (TOL/TNW) stood at 2.81 times for FY2017 as against 3.11 times for FY2016.

- **Market concentrationrisk**

APPL caters only to retail outlets in Rajkot, Gujarat exposing it to market concentration risk. However, the company is in the process of securing distribution rights for LG's home appliances, which is expected to commence by January 2018 and drive growth going forward.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of APPL to arrive at the rating.

Outlook: Stable

SMERA believes that APPL will maintain its credit risk profile over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case the company reports higher than expected growth in revenue and profit margins or improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	148.86	145.11	142.76
EBITDA	Rs. Cr.	1.61	1.63	1.75
PAT	Rs. Cr.	0.52	0.48	0.57
EBITDA Margin (%)	(%)	1.08	1.12	1.23
PAT Margin (%)	(%)	0.35	0.33	0.40
ROCE (%)	(%)	13.02	15.46	31.33
Total Debt/Tangible Net Worth	Times	2.29	1.41	2.12
PBDIT/Interest	Times	2.07	1.92	2.08
Total Debt/PBDIT	Times	6.26	3.37	4.12
Gross Current Assets (Days)	Days	38	37	37

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB / Stable

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