

Press Release

Anand And Anand

February 23, 2023



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.80	ACUITE BB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	8.80	-	-

Rating Rationale

Acuite has upgraded the long-term rating from 'ACUITE B+' (read as ACUITE B Plus) to **'ACUITE BB-' (read as ACUITE Double B Minus)** on the Rs.8.80 crore bank facilities of Anand and Anand (A&A). The outlook is **'Stable'**.

Rationale for Rating Upgrade

The rating action factors in the company's stable business performance, long track record of operation and experienced management. Further the rating factors in the Guru Tennis Ball approval from Tennis Ball Cricket Federation of India for use in all of its matches. The rating also factors in the expected growth in business on account of product addition. The rating is however constrained by stretched working capital operation and leveraged capital structure of the company.

About the Company

Anand and Anand (A&A), a part of Anand group was incorporated in 1999 by Mr. Ashish Anand, Mr. Akhil Anand and family. It is ISO 9001: 2008 & 14001 certified firm. It is engaged in manufacturing of Cricket Tennis Balls and other types of Balls with multicolored logos/crests. It sells under the brand name 'GURU'. Guru Cricket Tennis Ball is approved by Tennis Ball Cricket Federation of India.

Firm is undertaking diversification of its product portfolio by adding new products (Roller skate boards, Yoga Mats and protective equipment like knee guards etc.).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Anand and Anand to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

ANAND & ANAND established in 1999 under the banner of Anand Group has been on the national arena of sporting goods for well over 22 years now. It has its presence in this industry for More than two decades. Partners of firm have extensive Experience over two decades in the Industry and Acuite believes firm will be benefitted over the medium term on the back of

experience of management.

Financial risk profile

Financial risk profile of firm is below average marked by low net worth of Rs.4.68 crore as on 31 March 2022 as against Rs. 4.00 crore as on 31 March, 2021. The improvement is majorly on account of accretion of reserves. The firm has aggressive leverage policy. The gearing (debt-equity) stood high at 3.81 times as on 31 March, 2022 as against 3.80 times as on 31 March, 2021. The total debt outstanding of the firm is Rs.17.82 crore as on 31 March, 2022 which consists of long term bank borrowings of Rs.3.96 crore and short term working capital limit of Rs.6.90 crore and loans from partners of Rs 5.93 crore. Loan from partners are interest bearing @12%.

The interest coverage ratio of firm stood comfortable at 2.05 times for FY2022 as against 2.28 times for FY2021. The DSCR stood at 1.14 times for FY2022 as compared to 1.32 times for FY2021. The Net Cash Accruals to Total debt stood at 0.08 times as on FY2022 and 0.13 times for FY2021. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 4.71 times in FY2022 as against 4.90 times for FY2021. Going forward the financial risk profile is expected to improve because of its improving operating performance and reduction in debt liability of the company.

Weaknesses

Business risk profile

Operations of firm are stagnant in nature in last three years as evident from operating income which stood at ~ Rs 26 crore in FY 22 and FY 21 (Rs 24.50 in FY 20). Firm has recorded revenue of Rs 14.72 crore till January 2023. There is minuscule moderation in operating profit margin of the firm in FY 22 in comparison to FY 21. Operating Margin decline by 100 bps at 11.12% in FY2022 as against 12.12% in FY2021. The decline was majorly on account of increase in Raw Material cost. Furthermore, the net profit margin of firm stood at 1.36 percent in FY2022 as against 2.24 percent in FY2021. Currently, the firm has orders in hand of Rs 7.75 crore to be completed by FY2023. ROCE of the firm has seen y-o-y dip in past three years from 24.03% in FY20 to 8.60% in FY2022.

Working capital management: Intensive

Working capital Operations of Firm are intensive in nature as reflected by its gross current asset (GCA) days of around 300 days as on March 31, 2022 as against 253 days as on March 31, 2021 Inventory day stood at 153 days in FY 22 and 155 Days in FY 21. Debtor days stood at 156 days as on March 31 FY2022 as against 109 days as on March 21 FY2021. The creditor days stood at 71 days as on March 31, FY2022 as against 76 days as on March 31, 2022. Utilization of working capital limits remains high at ~91% in last nine months ended December 2022.

Rating Sensitivities

Firms's ability to improve Operating income and Profitability

Firms's ability to improve working capital operation

Firm's ability to achieve the financial projections over medium term as envisaged

Material covenants

None

Liquidity Position

Adequate

Liquidity profile of company is adequate marked by adequate net cash accruals against its maturing debt obligations. Firm generated cash accruals of Rs.1.51 Cr in FY2022 as against its maturing debt obligation of 1.14 Cr in the same period. Utilization of working capital limits remains high at ~91% in last nine months ended December 2022. Firm has unencumbered cash and bank balances of Rs. 0.37 crore as on March 31, 2022. The current ratio of the group stood moderate at 1.79 times as on March 31, 2022.

Outlook: Stable

Acuité believes that the firm will maintain a 'Stable' risk profile over the medium term from its promoters experience in the industry and established track record. The outlook may be revised to 'Positive' in case the firm is able to register healthy revenues and improve its profitability, improvement in working capital operations. Conversely, the outlook will be revised to 'Negative' in case of significant decline in revenue and profit margins and working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	26.40	26.70
PAT	Rs. Cr.	0.36	0.60
PAT Margin	(%)	1.36	2.24
Total Debt/Tangible Net Worth	Times	3.81	3.80
PBDIT/Interest	Times	2.05	2.28

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Feb 2022	Term Loan	Long Term	1.80	ACUITE B+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	2.00	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE B+ (Issuer not co-operating*)
27 Nov 2020	Term Loan	Long Term	1.80	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	2.00	ACUITE B+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BB- Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.80	ACUITE BB- Stable Upgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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