

**Press Release**  
**Autopack Machines Private Limited**  
December 06, 2018  
**Rating Reaffirmed and Downgraded**



<b>Total Bank Facilities Rated*</b>	Rs.10.90 Cr. (Enhanced from Rs.9.00 crore)
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable (Downgraded from ACUITE BB+/Stable)
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

#### **Rating Rationale**

Acuité has downgraded the long term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs.6.90 crore bank facilities and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.4.00 crore bank facilities of Autopack Machines Private Limited. The outlook is '**Stable**'.

The rating downgrade reflects fall in the revenue from Rs.23.48 crore in FY2017 to Rs.18.92 crore in FY2018. The operating margins have fallen from 7.70 percent in FY2017 to 6.34 percent in FY2018. The PAT margins have fallen from 3.18 percent for FY2017 to 0.04 percent for FY2018. The Net Cash Accrual (NCA) Margins have fallen from 5.40 percent in FY2017 to 3.84 percent in FY2018. The GCA stood at 157 days for FY2018. The inventory levels have particularly increased from 40 days in FY2017 to 92 days in FY2018. Falling revenue and declining profitability and stretching of working capital operations exert stress on margins & liquidity.

Autopack Machines Private Limited (AMPL) was established as a partnership firm in 1978 and later converted to a private limited company in 1981. The company is engaged in the manufacturing of packaging machines for liquid filling, wrapping and packing. The company has manufacturing plants in Bangalore and Mumbai (two in Mumbai and one in Bangalore). The company's products cater to various industries such as FMCG, pharmaceutical, cosmetics and chemical among others.

#### **Analytical Approach**

For arriving at its rating, Acuité has combined the business and financial risk profile of AMPL by factoring in support to its subsidiaries

#### **Key Rating Drivers**

##### **Strengths**

- Experienced management and long track of operations**

AMPL has long track record of operations. The promoters have more than three decades of experience in the industry. Acuité believes that AMPL will continue to benefit from its experienced management and long-standing relations with clients.

- Moderate working capital**

AMPL's working capital operations are moderate in nature marked by GCA days of 157 days for FY2018 against 154 days for FY2017. The inventory levels are maintained for 92 days for FY2018 against 40 days for FY2017. The debtor days improved to 49 days for FY2018 against 92 days for FY2017. The current ratio has been consistent for FY2018 and FY2017 at 1.32 times and 1.31 times respectively.

- Moderate financial risk profile**

The financial risk profile is moderate marked by tangible net worth of Rs.9.17 crore as on 31 March, 2018 as against Rs.9.16 crore as on 31 March, 2017. The gearing stood healthy at 0.47 times as on 31 March, 2018 as against 0.53 times as on 31 March, 2017. The total debt of Rs. 4.30 crore as on 31 March, 2018 comprises majorly working capital loan of Rs. 3.37 crore and a vehicle term loan of Rs.0.88 crore. The coverage ratio remains moderate with interest coverage ratio (ICR) at 2.11 times and debt servicing coverage ratio (DSCR) at 2.07 times in FY2017-18 as against ICR of 4.59 times and DSCR of

3.78 times in FY2016-17. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.10 times for FY2018 against 1.25 times for FY2017. Acuité believes that AMPL will sustain its moderate financial risk profile in the absence of debt funded capex plans.

## Weaknesses

- **Exposure to group companies**

The financial risk profile is constrained by significant exposure to associate companies of Rs.5.12 crore to group companies. As on 31 March, 2018, investments in associate companies, Kunnath Engineering Industries Private Limited and Perfect Product And Appliances Private Limited stood at Rs. 2.49 crore and Rs. 2.64 crore respectively. The total exposure to group entities stood at ~56 per cent of the total tangible net worth. Since the unwinding of these exposures is uncertain, the adjusted net worth (i.e. net worth after knocking off the exposure to these entities) is Rs.4.05 crore as on 31 March 2018. Acuité believes that the credit profile of AMPL will depend on its ability to curtail these exposures.

- **Modest scale of operations**

Despite being in the business for four decades, AMPL's revenue stood at a modest Rs. 18.92 crore in FY2018 as against Rs. 23.48 crore in FY2017.

## Outlook: Stable

Acuité believes that AMPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience and established relations with customers. The outlook may be revised to 'Positive' in case the company registers more than expected revenue growth registering improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving expected revenues, profitability, or if the working capital cycle further deteriorates

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.92	23.48	20.56
EBITDA	Rs. Cr.	1.20	1.81	0.91
PAT	Rs. Cr.	0.01	0.75	0.64
EBITDA Margin	(%)	6.34	7.70	4.43
PAT Margin	(%)	0.04	3.18	3.13
ROCE	(%)	5.26	12.84	12.55
Total Debt/Tangible Net Worth	Times	0.47	0.53	0.26
PBDIT/Interest	Times	2.11	4.59	4.29
Total Debt/PBDIT	Times	2.99	2.30	1.50
Gross Current Assets (Days)	Days	157	154	151

## 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-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.htm>

## Note on complexity levels of the rated instrument

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

## Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
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28-Nov-17	Secured Overdraft	Long term	5.00	ACUITE BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)
19-Sept-16	Secured Overdraft	Long term	5.00	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A4+ (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BB/Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)

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**About Acuité Ratings & Research:**

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