

## Press Release

### Autopack Machines Private Limited

February 18, 2020

#### Rating Reaffirmed



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

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.10.90 crore bank facilities of Autopack Machines Private Limited (AMPL). The outlook is 'Stable'.

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

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

#### Key Rating Drivers

##### Strengths

##### • Experienced management and long track record

AMPL has long track record of operations. The management of AMPL has experience of more than four decades in the same line of business. The day to day operations of the company are managed by Mr. Balchandran Nair and Mr. Suraj Balchandran Nair who are well supported by experienced and qualified Professionals.

Acuite believes that AMPL will continue to benefit from its experienced management and long-standing relations with clients.

##### • Moderate Financial Risk Profile

The financial risk profile is moderate marked by tangible net worth (after adjustment with exposure for group entities) of Rs.4.73 crore as on 31 March 2019. The adjusted gearing stood healthy at 0.94 times as on 31 March 2019 as against 1.06 times as on 31 March 2018. The total debt of Rs. 4.43 crore as on 31 March 2019 comprises majorly working capital loan of Rs. 3.88 crore and a vehicle term loan of Rs.0.55 crore. The coverage ratio remains moderate with interest coverage ratio (ICR) at 2.70 times and debt servicing coverage ratio (DSCR) at 2.26 times in FY2019 as against ICR of 2.11 times and DSCR of 2.07 times in FY2018. The Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.50 times for FY2019 against 1.10 times for FY2018.

Acuite believes that AMPL will sustain its moderate financial risk profile in the absence of debt funded capex plans.

## Weaknesses

### • Modest scale of operations:

The operations of the company are modest, marked by fluctuating revenues and margins. Revenues of the company grew to Rs. 35.19 for FY2019 as against Rs.18.92 in FY2018. AMPL supplies machineries to FMCG, Pharmaceutical, Cosmetics industry, and is susceptible to intense competition from other small and big players in the industry. The major raw material in the industry is steel, which is susceptible to frequent price fluctuations, which results in fluctuations in profit margins. AMPL's EBITDA margins stood at 6.53 times in FY2019 as against 6.34 times in FY2018. Its Net profit margins stood at 1.95 times in FY2019 as against 0.04 times in FY2018.

Acuite believes the ability of the company to maintain growth in revenues while maintaining its profitability margins will be a key rating monitorable.

### • Working capital intensive nature of operations:

The company's working capital operations are intensive in nature marked by high Gross Current Assets (GCA) days. GCA for FY2019 stood at 241 days, which has deteriorated from 157 days during FY2018. Spike in GCA days was driven by high debtor days, which increased to 180 days for FY2019 from 49 days for FY2018, this was mainly due to delays faced in collections from customers. The inventory level stood moderate at 53 days for FY2019 as against 92 days for FY2018. The average bank limit utilization stood at ~40 percent for past nine months ending December 2019.

Acuite believes that ability of the company to manage its working capital operations effectively will be the key rating sensitivity.

## Rating Sensitivity

- Healthy growth in revenues and operating margins.
- Any further deterioration in working capital cycle

## Material Covenants

None

## Liquidity Position: Stretched

The liquidity profile of the firm is stretched marked by cash accruals of Rs. 1.20 crore and moderate cash and bank balances of Rs 0.01 crore in FY2019. The current ratio of the firm stood at 1.15 times as on 31 March 2019 as against 1.32 times as on 31 March 2018. Acuite believes that moderate accruals are expected to keep the liquidity position stretched in the near to medium term.

## Outlook: Stable

Acuite believes that AMPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record. The outlook may be revised to 'Positive' in case the company registers more than expected revenue growth, improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving expected revenues, profitability, or deterioration in working capital operations.

## About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	35.19	18.92
PAT	Rs. Cr.	0.69	0.01
PAT Margin	(%)	1.95	0.04
Total Debt/Tangible Net Worth	Times	2.50	1.10
PBDIT/Interest	Times	2.70	2.11

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

Not Applicable

## Any other information

Not Applicable

## 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
6-Dec-2018	Secured Overdraft	Long Term	6.90	ACUITE BB/Stable (Downgraded from ACUITE BB+/Stable)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)
28-Nov-2017	Secured Overdraft	Long Term	5.00	ACUITE BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BB / Stable (Reaffirmed)
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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