

Press Release

Autopack Machines Private Limited

February 08, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.90	ACUITE BB- Stable Downgraded	-
Bank Loan Ratings	4.00	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	10.90	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

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

Rationale for rating downgrade:

The downgrade in the rating reflects the deterioration in the revenues & margins in FY2021, the further deterioration expected in the revenues & margins going forward, working capital intensive operations, below average financial risk profile and poor liquidity position as reflected by minuscule net cash accruals to its maturing debt obligation & high bank limit utilizations.

Acuite believes that the improvement in the financial risk profile will be critical in maintaining a stable credit profile.

About the Company

Mumbai-based, 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. The directors of the company are Mr. K P Balchandran Nair, Mr. Saratchandran Bhaskaran Saroja Nair, Mr. Suraj Balchandran Nair and Mr. Pramod Saratchandran Nair.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of AMPL to arrive at the rating.

Key Rating Drivers

Strengths

>Long track record of operations and experienced management

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. K P Balchandran Nair, Mr. Saratchandran Bhaskaran Saroja Nair, Mr. Suraj Balchandran Nair and Mr. Pramod Saratchandran Nair who are well supported by experienced and qualified professionals.

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

Weaknesses

>Below average financial risk profile

Financial risk profile of AMPL is below average marked by deteriorating gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), low net worth and poor debt protection metrics. The gearing stood at 1.51 times as on March 31, 2021 against 0.72 times as on March 31, 2020. TOL/TNW stood at 3.23 times as on March 31, 2021 against 1.59 times as on March 31, 2020. Tangible net worth of the company stood low at Rs.4.70 crore as on March 31, 2021 against Rs.8.21 crore as on March 31, 2020. The low net worth is majorly due to losses. Of the total debt of Rs.7.10 crore as on March 31, 2021, long-term debt stood at Rs.1.04 crore, short-term debt stood at Rs.5.80 crore and CPLTD stood at Rs.0.27 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood poor at (2.66) times and (0.45) times respectively in FY2021; while DSCR stood at (1.84) times in FY2021.

Acuité believes that the financial risk profile is expected to remain below average over the medium term.

>Working capital intensive operations

AMPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 155 days in FY2021 against 133 days in FY2020. The inventory days stood at 54 days in FY2021 against 63 days in FY2020. The inventory basically consists of steel, rods, consumable items (bottles, boxes, etc.). The inventory holding policy followed by the company depends on the orders over the year. The debtors' days stood at 72 days in FY2021 against 50 days in FY2020. The credit period given to customers is around 90-120 days. The creditors' days stood at 222 days in FY2021 against 164 days in FY2020. The company enjoys a credit period of 60-90 days from their suppliers. The creditors' days are high in FY2021 majorly due to the impact of covid-19. However, the creditors are stretched due to a back-to-back payment mechanism followed by the management. However, working capital limits remains utilized at 80-90 percent for last 6 months ended December, 2021.

Acuité believes that the company's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

>Modest scale of operations

The operations of the company are modest, marked by fluctuating revenues and margins. The turnover of AMPL stood at Rs.19.34 crore in FY2021 against 26.86 crore in FY2020. The turnover declined majorly due to the impact of Covid-19 and slowdown in the business since 2019. The operating loss margin of the company stood at (13.64) percent in FY2021 as against (2.75) percent in FY2020. The net loss margins of the company stood at (18.15) percent in FY2021 as against (6.12) percent in FY2020. The negative operating and profitability margins are also due to slowdown in the business since 2019 & impact of covid-19. 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.

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

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Poor

AMPL's liquidity position is poor as reflected by minuscule net cash accruals to its maturing debt obligation and high bank limit utilizations. AMPL generated minuscule cash accruals of Rs.(3.23) crore in FY2021, while its maturing debt obligations stood at Rs.0.27 crore during the same period. The cash accruals of the AMPL are estimated to remain negative during 2022-24, while its repayment obligations are estimated to be around Rs.0.24 crore to 0.26 crore over the same period. However, liquidity is constrained by its working capital limits which are highly utilized at about 80-90 percent for the last six months ended December, 2021. The current ratio stood weak, stood at 0.97 times as on March 31, 2021. Unencumbered cash and bank balances stood at Rs.0.01 crore as on March 31, 2021 and liquid investments stood at Rs.10.27 crore as on March 31, 2021.

Acuité believes that moderate accruals are expected to keep the liquidity position poor in the near to medium term.

Outlook: Stable

Acuité believes that AMPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	19.34	26.86
PAT	Rs. Cr.	(3.51)	(1.64)
PAT Margin	(%)	(18.15)	(6.12)
Total Debt/Tangible Net Worth	Times	1.51	0.72
PBDIT/Interest	Times	(2.66)	(0.49)

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

Not Applicable

Any other information

None

Applicable Criteria

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Feb 2020	Secured Overdraft	Long Term	6.90	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)
06 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)
19 Sep 2016	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 Downgraded (from ACUITE A4+)
Punjab National Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BB- Stable Downgraded (from ACUITE BB)

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About Acuité Ratings & Research

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