

Press Release

Autopack Machines Private Limited

May 08, 2023



Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB-' (read as ACUITE double b minus)** and short term rating of "**ACUITE A4' (Read as ACUITE A Four)** on the Rs.10.90 crore bank facilities of Autopack Machines Private Limited (AMPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation factors the experience of the promoters and long track record of operations of ACPL, albeit margins fluctuations in operating performance, The revenues of the Company stood at Rs. 26.99 crore in FY 2023 (Prov) as against Rs. 14.93 crore in FY2022 and Rs. 19.35 crore in FY 2021, respectively. The rating also takes into consideration the moderate unexecuted order book position of Rs. 17.67 crore as of April 2023, reflecting the revenue visibility in the near term. The financial risk profile remains below average, and the liquidity position is poor.

Going forward, the company's ability to improve its scale of operations and profitability as well as financial risk profile will remain a key rating monitorable.

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 production caters to various industries such as FMCG, pharmaceutical, cosmetics, and chemical among the others.

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

Weaknesses

Modest scale of operations and profitability

The revenue of AMPL stood at Rs. 14.93 crore in FY2022 against Rs. 19.35 crore in FY2021. Since the slowdown in 2019 and the COVID-19 pandemic, AMPL's business has been profoundly impacted. Since 2020, margins have remained negative. AMPL supplies machinery to the FMCG, pharmaceutical, and cosmetics industries 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. In FY2022, operating and net profit margins stood at 8.38 percent and 14.27 percent, respectively, against (13.63) percent and (18.14) percent in FY2021. The revenue for FY2023 stood at Rs. 26.99 crore, marking a more than 80 percent growth in revenue. The revenue growth is primarily due to increased high-value order flow. As of April 2023, the company had an unexecuted order book position of Rs. 17.67 crore for FY 2024.

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

Below average financial risk profile

The financial risk profile of AMPL is below average, marked by deteriorating gearing (debt to equity ratio) and total outside liabilities to total net worth (TOL/TNW), low net worth, and poor debt protection metrics. The gearing stood at 3.09 times as of March 31, 2022, against 1.51 times as of March 31, 2021. The TOL/TNW stood at 5.52 times as of March 31, 2022, compared to 3.23 times as of March 31, 2021. The tangible net worth of the company stood at Rs. 2.57 crore as of March 31, 2022, compared to Rs. 4.70 crore as of March 31, 2021. The low net worth is primarily due to PAT losses incurred since the onset of the COVID-19 pandemic. The total debt of Rs. 7.96 crore as of March 31, 2022, consists of long-term debt of Rs. 1.48 crore and short-term debt of Rs. 6.48 crore. The debt protection metrics of interest coverage ratio and net cash accruals to total debt stood poor at (1.06) times and (0.24) times, respectively, in FY2022, while DSCR stood at (0.82) times.

Acuite believes that the financial risk profile is expected to improve, although it is expected to remain below average over the medium term.

Intensive nature of working capital operations

AMPL's working capital operations are intensive, as marked by the high Gross Current Asset Days (GCA) of 128 days in FY2022 against 155 days in FY2021. The inventory days stood at 54 days in FY2022 and FY2021 as well. The inventory basically consists of steel, rods, and consumable items (bottles, boxes, etc.). The inventory holding policy followed by the company depends on the orders received over the year. The debtors' days stood at 48 days in FY2022 against 72 days in FY2021. The payments are realised against milestone completion and/or against advance and performance bank guarantees. The creditors' days stood at 272 days in FY2022 against 221 days in FY2021. The company enjoys a credit period of 60-90 days from their suppliers. However, AMPL draws comfort by extending their creditor days. Working capital limits mostly remain fully utilised at 98.6 percent for the last six months ending March 2023.

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

Rating Sensitivities

Growth in revenue while improving 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 losses generated against the maturing debt obligations, high bank limit utilisations and GCA days. AMPL generated cash accruals of Rs. (1.90) crore in FY2022, 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 through FY2023 & FY2024, while its repayment obligations are estimated to be in range of Rs. 0.40 crore to 0.36 crore over the same period. Liquidity is further constrained by its highly utilised working capital limits which stood at 98.6 percent for the last six months ended March 2023. The current ratio stood below average at 0.82 times as of March 31, 2022. Unencumbered cash and bank balances stood at Rs. 0.01 crore as of March 31, 2022. The liquidity is poor with fully utilised bank limits, negative cash accruals and high GCA days. Acuité believes that moderate accruals are expected which would 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 improving 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	14.93	19.35
PAT	Rs. Cr.	(2.13)	(3.51)
PAT Margin	(%)	(14.27)	(18.14)
Total Debt/Tangible Net Worth	Times	3.09	1.51
PBDIT/Interest	Times	(1.06)	(2.66)

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>
- 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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
08 Feb 2022	Bank Guarantee	Short Term	4.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Secured Overdraft	Long Term	6.90	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
18 Feb 2020	Secured Overdraft	Long Term	6.90	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)

Annexure - Details of instruments rated

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

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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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