

Press Release

Accent Industries Limited (AIL)

02 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.8.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.8.00 crore bank facilities of Accent Industries Limited (AIL). The outlook is '**Stable**'.

AIL is engaged in the manufacturing and trading of industrial gloves. Headed by Mr Anup Jatia, Mrs Shruti Jatia, and Mr Basant Kumar Goenka the company sells its products under the 'Atlas Protective Products' brand name.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The management possesses more than two decades of experience in the above mentioned line of business.

Moderate financial risk profile: The overall gearing (total debt to equity ratio) stood at 1.22 times as on 31 March, 2016. The DSCR stood at 1.11 times and the Interest coverage ratio was comfortable at 1.55 times as on 31 March, 2016.

Reputed customer base: The company has a reputed clientbase including Maruti Udyog Limited, Tata Motors Limited, Renault India Private Limited and Vedanta Limited.

Weaknesses:

Working capital intensive operations: AIL's operations are working capital intensive evident in the high debtor days of 52 as on 31 March, 2016. The working capital cycle as on 31 March, 2016 is 119 days marked by high inventory of 113 days.

Susceptibility of profitability to volatility in raw material prices: The profit margins are susceptible to fluctuations in the price of cotton – the main raw material.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of AIL.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities: <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that AIL will maintain a stable outlook and benefit over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenue and improvement in profitability with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity

AIL is engaged in the manufacturing and trading of industrial gloves. The company was incorporated in 1992 and started commercial operations from 2004. The manufacturing facilities are located at Tarapur, Maharashtra.

For FY2016, AIL reported profit after tax of Rs.0.55 crore on net sales of Rs.43.26 crore; as compared with profit after tax of Rs.0.37 crore on net sales of Rs.40.61 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.70	SMERA BB- /Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	0.92	SMERA BB- /Stable (Assigned)	-	-	-	-	-	-
Letter Of Credit	ST	1.50	SMERA A4+ (Assigned)	-	-	-	-	-	-
Proposed Cash Credit	LT	0.88	SMERA BB- /Stable (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
Cash Credit	N.A	N.A	N.A	4.70	SMERA BB-/Stable (Assigned)
Term Loan	N.A	N.A	February 2018	0.92	SMERA BB-/Stable (Assigned)
Letter Of Credit	N.A	N.A	N.A	1.50	SMERA A4+ (Assigned)
Proposed Cash Credit	N.A	N.A	N.A	0.88	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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