

Press Release

Accent Industries Limited

June 01, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr. (Enhanced from Rs. 8.00 Cr.)
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.8.00 crore bank facilities of Accent Industries Limited.

Further, Acuité has assigned long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.2.00 crore bank facilities of Accent Industries Limited. The outlook is 'Stable'.

Accent Industries Limited (AIL) is engaged in the manufacturing and trading of industrial gloves. The company was incorporated in 1992 and started commercial operations from 2004. 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. The manufacturing facility is located at Tarapur (Maharashtra) with capacity of 20 lakhs dozen pair of gloves per annum.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced management:**

AIL was incorporated in 1992. The management of the company has more than two decades of experience in the glove manufacturing segment. Such a long operations has enabled the company to establish relationships with the suppliers and customers.

- **Moderate financial risk profile**

AIL has a moderate financial risk profile marked by moderate net worth of Rs.10.57 crore as on 31 March, 2018 compared to Rs.10.55 crore as on 31 March, 2017. The gearing stood at 0.65 times as on 31 March, 2018 as against 0.77 times as on 31 March, 2017. The total debt of Rs.6.92 crore comprises working capital funds as on 31 March, 2018. The interest coverage ratio stood at 2.85 times in FY2018 as against 1.69 times in FY2017. The net cash accruals stood at Rs.2.48 crore in FY2018 against no debt obligation. Going forward, ACUITE expects the firm to maintain its financial risk profile in the absence of major debt funded capex plan.

- **Reputed customer base:**

The company sells its products to reputed customers including Maruti Udyog Limited, Tata Motors Limited and Renault India Private Limited which belong to automobile sector and Vedanta Limited which belongs to mining sector.

Weaknesses

- **Working capital intensive nature of operations**

The operations of AIL are working capital intensive which is evident from its high Gross Current Assets

(GCA) days of 133 in FY2018. This is mainly on account of high debtor days of 54 and inventory holding period of 70 days as on 31 March, 2018

- **Susceptibility of profitability to volatility in raw material prices**

Prices of raw cotton are stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with the suppliers as well. Any adverse movement of cotton prices further impacts the profitability

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the AIL to arrive at this rating.

Outlook: Stable

Acuité believes that AIL will maintain a stable outlook over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case the company registers improvement in financial risk profile on account of effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	46.18	47.54	43.26
EBITDA	Rs. Cr.	5.01	4.13	3.95
PAT	Rs. Cr.	1.98	0.79	0.55
EBITDA Margin	(%)	10.85	8.69	9.14
PAT Margin	(%)	4.28	1.66	1.27
ROCE	(%)	25.41	18.51	18.25
Total Debt/Tangible Net Worth	Times	0.65	0.64	1.22
PBDIT/Interest	Times	2.85	1.69	1.51
Total Debt/PBDIT	Times	1.34	1.76	2.73
Gross Current Assets (Days)	Days	133	133	160

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.acuite.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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
15-March-2018	Cash Credit	Long Term	4.70	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.92	ACUITE BB- (Indicative)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Indicative)
	Proposed Cash Credit	Long Term	0.88	ACUITE BB- (Indicative)
02-Feb-2017	Cash Credit	Long Term	4.70	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.92	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	0.88	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	7.00 (Enhanced from Rs. 4.70 crore)	ACUITE BB-/Stable (Assigned & Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE BB-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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