Press Release

Amar Bio-Tech Limited

March 01, 2019

Rating Downgraded

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	ACUITE B-/Stable (Downgraded)

** Refer Annexure for details*

Rating Rationale

Acuité has downgraded the long term rating to **'ACUITE B-' (read as ACUITE B minus)** from **'ACUITE B' (read as ACUITE B)** to the Rs.7.50 crore of bank facilities of Amar Bio-Tech Limited (ABL). The outlook is **'Stable'.**

The downgrade is on account of continuous loss at the operating level in the past three years ended FY'2018. The losses at the operating level of the company stood at 1.75 per cent in FY2018 as compared to 1.95 per cent in the previous year. The downgrade is also reflected from the stretched liquidity marked by high gross current asset (GCA) days of 455 days in FY2018 as compared to 648 days in the preceding year thus resulting in full utilization of working capital limit.

ABL, incorporated in 2000, is a Hyderabad based company engaged in production, processing and marketing of hybrid seeds, mainly cotton. The company has about 22 varieties of hybrid commercial cotton seeds approved by the Genetic Engineering Approval Committee under the Ministry of Environment & Forests.

Analytical Approach:
Acuité has taken a standalone view of the business and financial risk profile of ABL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations
ABL has been in operations since 2000. The Directors of ABL, Mr. Krishnaiah Bollineni, Mr. Thanu Koppa Pillai and Mr. Mr. Danala Naidu Penchlaiah have experience of more than 20 years in leather industry.

Weaknesses

Average financial risk profile
The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.10.39 crore in FY2018, as against Rs.9.67 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.74 times in FY2018 as compared to 0.82 times in FY2017. The total debt of Rs.7.74 crore consist of long term loan of Rs.0.10 crore, short term debt of Rs.7.56 crore and unsecured loan from promoters of Rs.0.07 crore as on 31 March, 2018. The interest coverage ratio (ICR) of the company stood healthy at 2.01 times in FY2018 as compared to 1.69 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.77 times in FY2018 as compared to 1.48 times in FY2017. The net cash accruals against total debt stood comfortable at 0.10 times in FY2018 as compared to 0.07 times in FY2017.

Moderate scale of operations
ABL operates at moderate scale of operations. Though it started commercial operations in 2000, it achieved revenue of Rs.29.94 crore in FY2018 as compared to Rs.20.25 crore in previous year. The firm has booked Rs.39.00 crore till 31 January, 2019 (Provisional). Acuité believes the ability of the company to scale up the operations will remain a key monitorable.

Liquidity Position

The company has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.0.80 crore in FY 2017-18, against its maturing debt obligations of Rs.0.10 crore in FY2017-18. The liquidity of the firm is also marked by 90-100 per cent utilisation of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 455 in FY 2018.

Outlook: Stable

Acuité believes that ABL will maintain 'Stable' outlook over the medium term from the promoters' vast experience and from its established relationship with its key suppliers. The outlook may be revised to 'Positive' if ABL achieves more than envisaged sales while registering operating profit. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.94	20.25	36.32
EBITDA	Rs. Cr.	(0.52)	(0.40)	1.12
PAT	Rs. Cr.	0.73	0.49	0.77
EBITDA Margin	(%)	(1.75)	(1.95)	3.09
PAT Margin	(%)	2.43	2.44	2.13
ROCE	(%)	11.31	11.03	13.81
Total Debt/Tangible Net Worth	Times	0.74	0.82	0.71
PBDIT/Interest	Times	2.01	1.69	2.21
Total Debt/PBDIT	Times	3.70	4.17	2.93
Gross Current Assets (Days)	Days	455	648	329

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/criteria-default.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
04-Apr-2018	Cash Credit	Long Term	7.50	ACUITE B (Indicative)
01-Feb-2017	Cash Credit	Long Term	7.50	ACUITE B/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B-/Stable (Downgraded)

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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.