

Press Release

Art And Craft Exclusives

September 07, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.10.50 Cr. #
Long Term Rating	ACUITE BB- (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

#Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.10.50 crore bank facilities of Art And Craft Exclusives (ACE). The rating withdrawal is in accordance with Acuité's 'policy on withdrawal of rating'.

The rating is being withdrawn on account of request received from the company and NOC received from the bank.

Art and craft exclusive was established by Mr. Anil Sharma in the year 1995 for the manufacturing and exporting of ladies readymade garments. The firm generates a majority of its revenues from the exports to countries like Japan, France and Argentina, to name a few. The firm is engaged in the manufacturing of ladies readymade garments; however recently it has started manufacturing fashion accessories like bags and home décor items like cushion cover, table cloth etc.

Analytical Approach

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

Strengths:

Experienced track record of operations and experienced management

Established in 1991, ACE is headed by Mr. Anil Sharma, who has around three decades of experience and the other senior management personnel of the firm, Prateek Sanadhyा and Anushruti Sanadhyा also possess more than five years of experience in the aforementioned line of business. The firm thus benefits from the long term relations of the management with customers and suppliers.

Weaknesses:

Average financial risk profile

ACE has an average financial risk profile marked by net worth of Rs. 19.37 crore as on 31 March, 2020 (Provisional) as compared to Rs.19.23 crore as on 31 March, 2019. Gearing (Debt-to-equity) stood at 0.74 times as on 31 March 2020 (Provisional) as against 0.67 times as on 31 March 2019. Total debt of Rs. 14.38 crores mainly comprise of a term loan of Rs. 1.13 crores, unsecured loans from promoters worth Rs. 2.14 crores and working capital limits of Rs. 11.11 crores. ICR (Interest coverage ratio) stood at 1.55 times for FY2020 (Provisional) as against 2.19 times for FY2019. Further, the Net cash accruals stand at the firm stand at Rs. 0.48 crores against repayment obligations of Rs. 0.40 crores.

Working capital intensive nature of operations

The firm's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 207 days in FY2020 (Provisional) as against 148 days in FY2019. GCA days remained high mainly on account of the inventory holding period, which is 141 days in FY2020 (Provisional) which is mainly due to the piled up finished goods inventory due to the pandemic. And the debtor collection period stands at 18 days. Further, the creditor payback period stood at 186 days in the FY2020 (Provisional). Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the high levels of inventory.

Rating Sensitivity

NA

Material Covenants

None

Liquidity position: Stretched

ACE has stretched liquidity marked by net cash accruals to its maturing debt obligations. The firm generated cash accruals of ~Rs.1.03 to Rs. 0.48 crore during the last three years through 2018-20 (Provisional), while its maturing debt obligations were in the range of ~Rs.2.32 to Rs. 0.40 crore over the same period. The firm's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 207 in FY2020 (Provisional) however the same was on account of the buildup of inventory levels due to the Covid-19 pandemic. The firm maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, FY2020 (Provisional). The current ratio of ACE stood low at 0.64 times as on March 31, FY2020 (Provisional). Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term on account of average cash accrual against the maturing debt obligations.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

About the Rated Entity- Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	16.85	25.86
PAT	Rs. Cr.	0.48	0.71
PAT Margin	(%)	2.87	2.73
Total Debt/Tangible Net Worth	Times	0.74	0.67
PBDIT/Interest	Times	1.55	2.19

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

None

Any other information

Not Applicable

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
27-Jun-2019	Cash Credit	Long term	1.50	ACUITE BB-/Stable (Reaffirmed)
	Packing Credit	Short term	4.25	ACUITE A4 (Reaffirmed)
	Bill Discounting	Short term	4.25	ACUITE A4 (Reaffirmed)
	Proposed facilities	Long term	0.50	ACUITE BB-/Stable (Reaffirmed)
25-Apr-2018	Cash Credit	Long term	1.50	ACUITE BB-/Stable (Assigned)
	Packing Credit	Short term	4.25	ACUITE A4 (Assigned)
	Bill Discounting	Short term	4.25	ACUITE A4 (Assigned)
	Proposed facilities	Long term	0.50	ACUITE BB-/Stable

				(Assigned)
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***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	1.50	ACUITE BB- (Withdrawn)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE A4 (Withdrawn)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE A4 (Withdrawn)
Proposed facilities	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- (Withdrawn)

*The issuer did not co-operate; based on best available information.

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About Acuité Ratings & Research:

Acuité Ratings & Research 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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