Press Release

Astik Dyestuff Private Limited

May 22, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 14.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-' (read as SMERA BBB minus)** and short term rating of **'SMERA A3' (read as SMERA A three)** on the Rs. 14.50 crore bank facilities of Astik Dyestuff Private Limited. The outlook is **'Stable'**.

Incorporated in 1988 and part of Astik Group, Astik Dyestuff Private Limited is a Gujarat based company promoted by Mr. C B Karkera, Mr. R D Ajekar, Mr. S B Shetty and Mr. M R Ajekar. The company is engaged in manufacturing of reactive dyes used in the textile industry. The dyes are manufactured using dye intermediates, vinyl sulphone and H. Acid among others. The company exports to Singapore, Indonesia, Japan, Germany and USA among other countries apart from catering to major textile hubs in India.

Astik group consist of Shree Chakra Organics Private Limited (SCOPL) and Astik Dyestuff Private Limited (ADPL). The group was originally incorporated 1980 as Mohita Dyechem Private Limited with its manufacturing facility at Dombivli, Thane. Subsequently, the entity was merged with Astik Dyestuff Private Limited. The group promoted by Mr. Ajekar, Mr. Karkare and Mr. Shetty was incorporated in 1988 with ADPL and SCOPL commencing its operations in 1990 and 1993 respectively. Astik group is engaged in manufacturing of wide range of reactive dye used in textile industry. The same is marketed under their common brand 'MEACTIVE' and 'MOHIZOL'.

SMERA has considered the consolidated business and financial risk profiles of Astik Dyestuff Private Limited (ADPL) and Shree Chakra Organics Private Limited (SCOPL), hereafter referred to as Astik Group. The consolidation is due to the common promoters, common brand name and financial synergies within the group.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  Astik group has an established track record spanning over three decades in dyestuff industry. .The group is promoted by Mr. Ram Ajekar, Mr. Chandaya Karkera and their family. The promoters have rich experience of more than three decades and are ably supported by second generation of promoters, Mr. Mithun Ajekar (Chemical Engineer) and Mr. Vinit Karkera in day to day operations. The extensive industry experience of the promoters has enabled them to establish a healthy relationship with various customers and suppliers.

- **Comfortable Financial Risk Profile**
  The capital structure of the group is comfortable as reflected in the gearing levels (debt to equity ratio) of 0.32 times as on 31st March 2017 as against 0.45 times as on 31st March 2016. The company has no long term liability as on March 31st, 2017 and the total debt primarily consist of unsecured loan from promoters and short term borrowings. The interest coverage ratio (ICR) stood at 6.30 times as on March 31st, 2017 as compared to 4.37 times in the previous year. Further the group exhibits healthy net cash accrual to total debt (NCA/TD) of 0.96 times as on March 31st 2017.

- **Healthy profit margins**
  The operating margins of Astik Group improved to a comfortable 10.86 per cent in FY2017 as against 10.62 per cent in FY2016 mainly on account of reduction in raw material prices. The net profitability has been comfortable at 5.02 per cent in FY2017 and 4.89 per cent in the previous year mainly on account of decrease in finance cost.

- **Healthy orders in hand**
  The group has healthy order in hands amounting to Rs 49.02 Crore as on 28 March, 2018 to be executed by November, 2018 providing revenue visibility over the medium term.

Weaknesses

- **Profit margins susceptible to fluctuation in raw material price**
  Profit margins are susceptible to fluctuation in price of H acid, Vinyl Suphone and other required in the manufacturing of reactive dyestuff. Going forward, continuous supply of raw material and government policies regarding the environmental concern posed by the industry will be key rating sensitivity.

- **Working capital intensive nature of operations**
  The operations are working capital intensive marked by Gross Current Asset (GCA) days of 170 in FY2017 and 170 in FY2016. This is mainly on account of credit of 86 days extended to its customers in FY2017. The comparable figure for FY2016 stood at 102 days. The inventory stood at 69 days in FY2017 as against 53 days in FY2016. The group is expected to maintain inventory given uneven supply of intermediates and to take advantage of price differential.

Analytical Approach

SMERA has considered the consolidated business and financial risk profiles of Astik Dyestuff Private Limited (ADPL) and Shree Chakra Organics Private Limited (SCOPL), hereafter referred to as Astik Group. The consolidation is due to the common promoters, shared brand name and financial synergies within the group.

Outlook: Stable

Stable SMERA believes that Shree Chakra's outlook will remain 'Stable' on account of long track record of operations, comfortable financial risk profile and healthy order book. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue and profitability while improving the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating the financial risk profile and liquidity position.

About the Group

Astik group consist of Shree Chakra Organics Private Limited (SCOPL) and Astik Dyestuff Private Limited (ADPL). The group was originally incorporated 1980 as Mohita Dyechem Private Limited with its manufacturing facility at Dombivli, Thane. Subsequently, the entity was merged with Astik Dyestuff Private Limited. The group promoted by Mr. Ajekar, Mr. Karkare and Mr. Shetty was incorporated in 1988 with ADPL and SCOPL commencing its operations in 1990 and 1993 respectively. Astik group is engaged in manufacturing of wide range of reactive dye used in textile industry. The same is marketed under their common brand 'MEACTIVE' and 'MOHIZOL'.

About the Rated Entity – Consolidated Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	75.87	70.99	84.60
EBITDA	Rs. Cr.	8.41	7.73	6.45
PAT	Rs. Cr.	3.89	3.56	2.15
EBITDA Margin	(%)	11.08	10.89	7.63
PAT Margin	(%)	5.12	5.01	2.54
ROCE	(%)	24.04	21.87	29.99
Total Debt/Tangible Net Worth	Times	0.32	0.45	1.10
PBDIT/Interest	Times	6.30	4.37	3.00
Total Debt/PBDIT	Times	0.90	1.15	2.82
Gross Current Assets (Days)	Days	173	175	166

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BBB- / Stable
PCFC	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A3

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Swati Banthia Analyst - Rating Operations Tel: 022-67141116 swati.banthia@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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