

Press Release

Astik Dyestuff Private Limited

July 30, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

The rating continues to reflect Astik group's comfortable business risk profile marked by healthy profitability and steady growth in revenue. The rating also factors in a strong financial risk profile. These strengths are partially offset by elongated working capital operations.

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 manufactures reactive dyes used in the textile industry. The company exports to Singapore, Indonesia, Japan, Germany and USA among other countries apart from catering to major textile hubs in India.

About the Group

Astik group comprises of Shree Chakra Organics Private Limited (SCPL) and Astik Dyestuff Private Limited (ADPL) and is promoted by Mr. Ajekar, Mr. Karkare and Mr. Shetty. 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'.

Analytical Approach

Acuité has considered the consolidated financial and business risk profile of Shree Chakra Organics Private Limited (SCPL) and Astik Dyestuff Private Limited (ADPL). The group is herein being referred to as Astik group. The same is on account of common management, same line of operations and significant operational and financial linkages. Extent of consolidation: Full

Key Rating Drivers

Strengths

• **Established track record 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**

Astik group's financial risk profile remains comfortable with moderate net worth, low gearing and healthy debt protection metrics. The net worth stood at Rs 29.12 Crore as on March 31, 2018 compared to Rs. 24.53 Crore as on March 31, 2017. The gearing remained low at 0.53 times as on March 31st, 2018 as against 0.32 times in the previous year. The debt protection metrics remained above average marked by interest coverage ratio (ICR) of 6.38 times as on March 31, 2018 as against 6.30 times March 31, 2017. Net cash accruals remained healthy marked by net cash accruals to total debt (NCA/TD) of 0.38 times as on March 31st, 2018. Going forward, Acuite believes the group will maintain comfortable financial risk profile in absence of debt funded

capex and supported by healthy cash accruals.

- **Steady revenue growth and healthy profitability**

Astik group reported a steady year on year growth of 8-10 percent in operating revenue during the last three fiscal year ending March 31st, 2018. The operating revenue stood at 85.78 Crore in FY2018 as against 75.87 Crore in the previous year. Further, operating revenue stood at 90.87 Crore in FY2019 (provisional). The operating margins of Astik Group remained comfortable 10.46 per cent in FY2018 as against 11.08 per cent in FY2017. The net profitability improved to 5.38 per cent in FY2018 from 5.12 per cent in the previous year.

Weaknesses

- **Working capital intensive nature of operations**

Astik group's working capital operation elongated on account of higher credit period extended to customers in FY2017-2018. The gross current assets (GCA) stood at 208 days as on March 31st, 2018 as against 173 days in the previous year. GCA is dominated by inventory period of 75 days as on March 31st, 2018 as against 71 days in the previous year. Credit extended to customers increased to 118 days as on March 31st, 2018 from 87 days in the previous year. The debtors' day was impacted due to rollout of Goods and Service Tax (GST) in July, 2017. The same is expected to moderate in FY2019 with improved realization from debtors.

Liquidity Profile:

Astik group's has adequate liquidity marked by healthy net cash accruals in absence of no maturing debt obligations. The group generated cash accruals of Rs.5.95 crore during FY2018. The cash credit limit in the group remains utilised at around 18.27 percent during the last 6-month period ended May, 2019. The group maintains unencumbered cash and bank balances of Rs.2.28 crore as on March 31, 2018. The current ratio of the group stands at 1.90 times as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and in absence of debt funded capex.

Outlook: Stable

Acuité believes that Astik group will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry and established position. The outlook may be revised to 'Positive' in case the group achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability declines or working capital operations deteriorates further.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	85.78	75.87	70.99
EBITDA	Rs. Cr.	8.97	8.41	7.73
PAT	Rs. Cr.	4.62	3.89	3.56
EBITDA Margin	(%)	10.46	11.08	10.89
PAT Margin	(%)	5.38	5.12	5.01
ROCE	(%)	20.44	24.04	48.15
Total Debt/Tangible Net Worth	Times	0.54	0.32	0.45
PBDIT/Interest	Times	6.38	6.30	4.37
Total Debt/PBDIT	Times	1.72	0.90	1.15
Gross Current Assets (Days)	Days	208	173	175

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.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
22-May-2018	Cash Credit	Long Term	9.00	ACUITE BBB- / Stable (Assigned)
	Packing Credit	Short Term	3.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A3 (Assigned)

***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	ACUITE BBB- / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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