

Press Release

Astik Dyestuff Private Limited

September 21, 2020

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

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the 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**'.

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 a wide range of reactive dye used in the textile industry. The same is marketed under their common brand 'MEACTIVE' and 'MOHIZOL'.

Analytical Approach

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

Key Rating Drivers

Strengths

• Long operational track record and experienced promoters

Astik group has an established track record spanning over three decades in the dyestuff industry. The group is promoted by Mr. Ram Ajekar, Mr. Chandaya Karkera and their family. The promoters have an experience of more than three decades and are ably supported by the second generation of promoters, Mr. Mithun Ajekar 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.

Acuite believes that the group will continue to benefit from the promoter's established presence in the chemical industry and its improving business risk profile over the medium term.

• Healthy financial risk profile

The financial risk profile continues to be healthy marked by healthy net worth of Rs.42.24 crore as on 31 March, 2020 (Est.) as against Rs.38.43 crore as on 31 March, 2019. This includes unsecured loans of Rs.4.33 crore as on March 31, 2020 (Est.) which is considered as quasi equity. The gearing is healthy at 0.01 times as on 31 March, 2020 (Est.) as against 0.06 times in the previous year. The total debt of Rs.0.57 crore as on 31 March, 2020 (Est.) includes short term debt of Rs.0.12 crore, long term debt of Rs.0.16 crore and interest-free unsecured loan from related parties of Rs.0.29 crore. Interest Coverage Ratio (ICR) stood at 8.60 times in FY2020 (Est.) from 7.24 times in the previous year. Total Liabilities to Tangible Net Worth (TOL/TNW) stood at 0.46 times as on 31 March, 2020 (Est.) as against 0.52 times in the previous year. The average bank limit

utilisation for the past year months ended in June, 2020 is very low. The current ratio stood at 2.59 times as on 31 March, 2020 (Est.) as against 2.48 times in the previous year.

Acuite believes that the group to maintain its financial risk profile in the absence of major debt-funded capex plan and moderate working capital requirement.

Weaknesses

• Working capital intensive operations

The working capital cycle of the group is intensive, marked by Gross Current Assets (GCA) days of 200 days in FY2020 (Est.) as against 193 days in FY2019. The GCA days are dominated by inventory and debtor days of 61 & 122 in FY2020 (Est.) as against 79 & 113 days in FY2019. The creditor days stood at 87 days in FY2020 (Est.) as against 94 days in FY2019. The working capital limit utilization stood is very low.

Liquidity position: Adequate

The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.5-6 crore during the three years through FY2020, while its maturing debt obligations were in the range of Rs.0.08-0.10 crore over the same period. The cash accruals of the group are estimated to remain around Rs.4-5 crore during 2021-23, while its repayment obligations are estimated to be around Rs.0.08 crore for FY2021. The group's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 200 in FY2020 (Est.). However, the reliance on working capital borrowings was low. The group maintains unencumbered cash and bank balances of Rs.2.60 crore as on March 31, 2020 (Est.). The current ratio of the group stood healthy at 2.60 times as on March 31, 2020 (Est.). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Rating Sensitivities

- Improvement in the scale of operations while maintaining profitability
- Further stretch in the working capital cycle

Material Covenants

None

Outlook: Stable

Acuite believes that ADPL outlook will remain 'Stable' over the medium term on the back of the group's strong order book and experienced management. The outlook may be revised to 'Positive' in case the group generates higher than expected growth in cash flows through the successful execution of large projects while maintaining comfortable liquidity profile. Conversely, the outlook will be revised to 'Negative' in case of elongation of working capital cycle days.

About the Rated Entity - Key Financials

	Unit	FY20 (Estimated)	FY19 (Actual)
Operating Income	Rs. Cr.	90.40	90.86
PAT	Rs. Cr.	4.13	4.99
PAT Margin	(%)	4.57	5.49
Total Debt/Tangible Net Worth	Times	0.01	0.06
PBDIT/Interest	Times	8.60	7.24

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
30-Jul-19	Cash Credit	Long term	9.00	ACUITE BBB-/Stable (Reaffirmed)
	Packing Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.50	ACUITE A3 (Reaffirmed)
22-May-18	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. Crore)	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 Acuite Ratings & Research:

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