

Press Release

Indian Acrylics Limited

June 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 324.09 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.324.09 crore bank facilities of Indian Acrylics Limited. The outlook is '**Stable**'.

Indian Acrylics Limited (IAL) was incorporated in 1986, as a Joint Venture between the current promoters and PSIDC (Punjab State Industrial Development Corporation). Indian Acrylics Limited (IAL) is engaged in the manufacturing of Acrylic Fibre and Acrylic Yarn at its 120 acres manufacturing facilities located at Sangrur in Punjab. The company has an installed capacity of 42,000 MT for Acrylic Fibre and 9100 MT for Acrylic Yarn.

Key Rating Drivers

Strengths

- **Established market presence in textile market and experienced management**

IAL is promoted by Mr. Rajinder Kumar Garg, who has experience in manmade fibre industry. IAL is a major manufacturer of acrylic fibre in the country. The company was incorporated in the year 1986. In 1991, IAL went public and 49 percent stake was offloaded in the primary market; with PSIDC holding 25 percent and the promoter holding the remaining stake. The product manufactured by the company are used for knitting, hosiery, weaving and for manufacturing blankets, rugs and carpets.

- **Improvement in financial risk profile with moderate margins**

The company has comfortable financial risk profile marked by operating margins, which stood at 8.38 percent in FY2018 as against 10.15 percent in the previous year. The net margins also improved in line at 1.41 percent in FY2018 from 4.59 percent in FY2017. The gearing stood at 0.59 times as on 31 March, 2018 as against 0.54 times at the end of the previous year. DSCR stood comfortable at 1.32 times and ICR at 2.07 times as on 31 March, 2018.

- **Moderate working capital intensity**

The inventory stood at 106 days while GCA is at 164 days as on Mar 31, 2017. The working capital limits of IAL are Rs.30.00 crore while the utilisation levels were at 70 percent respectively. The levels for the company are comfortable over the years which further helped the total debt levels and leverage ratios.

Weaknesses

- **Susceptible to fluctuation in raw material prices**

The margins remain susceptible to volatility in cotton prices. The company procures raw materials largely from the foreign markets. The prices of yarn also follow the prices of raw materials but with a lag. Although, the company has made losses in the past but currently, the profitability is stable at 8-10 percent with the current demand scenario and is expecting the prices to remain at the current levels.

• **Intense competition prevalent in the textile industry**

The company is exposed to intense competition prevalent in the highly fragmented Indian textile industry. The company faces stiff competition from both organised and unorganised player present in the industry. The company faces stiff competition in both domestic and overseas market.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of IAL to arrive at the rating.

Outlook: Stable

Acuite believes that the outlook on IAL will remain 'Stable' owing to the experience of the promoter in the appliance industry. The outlook may be revised to 'Positive' if the company is able to keep up the growth in operations along with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals or deterioration in the financial risk profile, due to higher than expected working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	479.30	542.12	549.74
EBITDA	Rs. Cr.	48.64	41.35	1.83
PAT	Rs. Cr.	21.98	20.62	-14.99
EBITDA Margin	(%)	10.15	7.63	0.33
PAT Margin	(%)	4.59	3.80	-2.73
ROCE	(%)	18.05	25.06	-10.42
Total Debt/Tangible Net Worth	Times	0.54	0.32	0.18
PBDIT/Interest	Times	3.31	3.44	0.48
Total Debt/PBDIT	Times	1.74	0.93	2.56
Gross Current Assets (Days)	Days	164	113	97

Any other information

Not Applicable

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)

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	17.50	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	21.24	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	11.60	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	114.00	ACUITE A4 (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	29.25	ACUITE A4 (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4 (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4 (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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