

Press Release

Faith Industries Limited

August 23, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.25 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 14.25 crore bank facilities of Faith Industries Limited (FIL). The outlook is '**Stable**'.

Faith Industries Limited (FIL) is based in Ahmedabad; Gujarat was founded by Mr. Virendra Kankariya in the year 1995. The company is engaged in manufacturing and supply for PVC Stabilisers, PVC Lubricants and other Specialty Industrial Waxes. The manufacturing facility is based at Kalol, North Gujarat with installed capacity of 40,000 MTPA.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

FIL has operational track record since 1995 and has established its market position. The promoters of the company have more than two decade of experience in same line of business. The strong network and intense experience of the promoters has helped company to diversify its business and establish longstanding relationships with its customers and suppliers.

- **Diversified product and geographical presence**

The company over the years has developed and diversified its product range from just manufacturing of PVC Stabilisers and Lubricants to specialized products like industrial waxes. FIL has also diversified its customers based to various countries like Uganda, Thailand, Mauritius, Bahrain, Iran and UAE among others.

- **Established relationship with the customers and suppliers**

The company has longstanding relationship of over a decade with its customers and suppliers. These has helped company to get repeat orders and assured business. Further established relation with its suppliers ensures regular supply of raw material at better price.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of FIL is marked by moderate capital structure and debt protection metrics. The net worth of the company stood at Rs. 10.16 crores for FY2018 (Provisional) and Rs. 9.10 crores for FY2017. The gearing (debt equity) ratio stood at 2.06 times for FY2018 (Provisional) as compared to 2.08 times for FY2017. The interest coverage ratio stood at 1.97 times for FY2018 (Provisional) as compared to 1.86 times for FY2017. The NCA/TD stood at 0.07 times and Debt Service Coverage Ratio (DSCR) stood at 1.55 times for FY2018 (Provisional).

- **Modest working capital cycle**

The modest working capital cycle is marked by high Gross Current Assets (GCA) days of 170 for FY2018 (Provisional) as compared to 162 days for FY2017. The GCA days is marked by high inventory and receivable days of 93 and 69 days for FY2018 (Provisional). Further, average bank utilisation of working facility stood at 86.06 percent for last six month ending July 2018.

Analytical Approach

Acuité has considered standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

Acuité believes that FIL will maintain a 'Stable' outlook over the medium term. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability margin while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in net cash accruals, deterioration in the financial risk profile owing to debt funded capex undertaken or higher than expected working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	56.45	56.01	49.32
EBITDA	Rs. Cr.	3.35	3.62	2.74
PAT	Rs. Cr.	1.07	1.04	0.38
EBITDA Margin	(%)	5.94	6.45	5.56
PAT Margin	(%)	1.89	1.86	0.76
ROCE	(%)	11.03	12.81	9.93
Total Debt/Tangible Net Worth	Times	2.06	2.08	2.04
PBDIT/Interest	Times	1.97	1.86	1.49
Total Debt/PBDIT	Times	5.87	5.11	5.89
Gross Current Assets (Days)	Days	170	162	150

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

Not applicable

Any other information

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.25	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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