

Press Release

Accurate Metals

December 18, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr. (Enhanced from Rs. 5.00 Cr.)
Long Term Rating	ACUITE B+ / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 7.00 crore and assigned long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 3.00 crore bank facilities of Accurate Metals (AM). The outlook is '**Stable**'.

The Jodhpur based, Accurate Metals was established in 1980 as a partnership firm by Mr. Lalit Jain, Mr. Babu Lal Jain and Mrs. Sumitra Jain. The firm is engaged in manufacturing of stainless steel sheet which is used in making utensils and cookware. The manufacturing unit has an installed capacity of 500 MT per month which is ~90 percent utilised over the last 12 months.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the firm have experience of more than three decades in the metal industry resulting in healthy relationships with customers and suppliers.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by net worth of Rs.3.25 crore as on March 31, 2018 as compared to Rs.1.84 crore as on March 31, 2017. The debt to equity ratio improved to 1.67 times for FY 17-18 from 1.71 times for FY 16-17. The interest coverage ratio also improved to 2.55 times in FY 17-18 from 2.14 times in FY 16-17. The total outstanding liability to total net worth stood moderate at 3.01 times for FY 17-18 improved from 3.08 times for FY 16-17. Further, the firm has moderate liquidity position marked by current ratio of 1.31 times as on March 31, 2018 as compared to 1.66 times as on March 31, 2017. The gross current asset stood at 98 days in FY 18 as compared to 54 days in FY17.

Weaknesses

- **Modest scale of operation**

The firm was established in 1980. The scale of operation has been modest with stagnant turnover in FY2017 and FY2018.

- **Competitive and fragmented industry**

The firm operates in a highly competitive and fragmented industry marked by presence of several organised and unorganised players. The firm faces stiff competition from the local players.

Outlook: Stable

Acuite believes that the outlook on AM will remain 'Stable' over the medium term on account of the experience of the management in the metal industry. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues and profitability while efficiently managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	39.66	39.66	38.98
EBITDA	Rs. Cr.	1.24	0.68	0.65
PAT	Rs. Cr.	0.42	0.16	0.17
EBITDA Margin	(%)	3.13	1.70	1.67
PAT Margin	(%)	1.06	0.40	0.43
ROCE	(%)	15.81	13.77	16.96
Total Debt/Tangible Net Worth	Times	1.67	1.71	2.05
PBDIT/Interest	Times	2.55	2.14	2.27
Total Debt/PBDIT	Times	4.36	4.66	3.10
Gross Current Assets (Days)	Days	98	54	31

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-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Crore.)	Ratings/Outlook
29-Aug-2018	Cash Credit	Long term	5.00	ACUITE B+/Stable (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	7.00 (Enhanced from Rs. 5.00 Cr.)	ACUITE B+ / Stable (Reaffirmed)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ / Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head- Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Bhanupriya Khandelwal Analyst - Rating Operations Tel: 02249294045 bhanupriya.khandelwal@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.