

Press Release

Azista Industries Private Limited

November 09, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.8.93 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.8.93 crore bank facilities of Azista Industries Private Limited. The outlook is '**Stable**'.

About the company

Incorporated in 2014, Azista Industries Private Limited (AIPL) is a Hyderabad based company, which is engaged in manufacturing of dehydrated vegetables and fruits. In addition to this, AIPL manufactures mints, medicinal biscuits, nano technology based pain relievers through loan licensing manufacturing model. Further in 2018, AIPL had ventured into the business of aerospace engineering. Currently, the company is headed by the founder promoter Mr. M. Srinivas Reddy. The company has an installed capacity of 900 TPA for dehydrated vegetables and fruits at Chittoor, Andhra Pradesh. The facility for aerospace engineering is located at Ahmedabad, Gujarat.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of AIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter of AIPL, Mr. M. Srinivas Reddy has been associated with the pharmaceutical industry for around two decades. Currently, he also holds the position of the Managing Director of Hetero Healthcare Limited (HHL), which is the flagship entity of the Hetero Group. Acuité derives comfort from the long experience of the promoter.

- **Locational advantage and marketing support**

The manufacturing unit for dehydrated fruits and vegetables is located at Kuppam in Chittoor district of Andhra Pradesh. The unit has a locational advantage as ample amount of vegetables such as cabbage, sweet corn, tomato, potato, green chillies and fruits such as papaya, mango and banana are available within a radius of 30 km from the factory location. Acuité believes that the company is able to capitalize the locational advantage to enhance profitability. In addition to this, AIPL adopted the strategy to sell all the dehydrated products, mints, biscuits through HHL, which is a well-established entity in the pharmaceutical industry. Acuité believes that the marketing support of HHL will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Healthy order book position for aerospace division**

The company has a healthy order book position for aerospace division with unexecuted orders in hand of around Rs.36 Cr as on 30th September, 2020. Acuité believes that the healthy order book position of the company provides comfortable revenue visibility over the medium term.

Weakness

- **Modest scale of operations**

AIPL has a modest scale of operations as the company has achieved revenues of Rs.36.29 Cr in FY2020 as compared to revenues of Rs.34.06 Cr in FY2019. However, the company has outperformed in the current year, as it reported revenue of Rs.41.16 Cr as on 30th September, 2020 (provisional). Acuité believes that the growth in the scale of operations will be a key rating monitorable.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 222 days as on 31st March 2020 as compared to 161 days as on 31st March 2019. The GCA days are high, mainly on account of high inventory holding period which stood at 169 days as on 31st March 2020 as against 103 days as on 31st March 2019. The higher inventory holding period is due to the seasonal availability of vegetables and order based business of aerospace division. Further, the debtor period stood moderate at 66 days as on 31st March 2020 as compared to 27 days as on 31st March 2019. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from high inventory holding period and moderate receivables.

Rating Sensitivity

- Ramp up of operations while maintaining profitability margin
- Improvement in working capital management
- Reduction in order flow for aerospace division

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by sufficient net cash accruals of Rs.4.25 Cr as on March 31, 2020 as against long term debt repayment of Rs.1.09 Cr over the same period. The current ratio stood strong at 2.78 times as on March 31, 2020 as compared to 2.80 times as on March 31, 2019. Further, AIPL infused Rs.17.86 Cr in FY2020 and Rs.6.02 Cr in FY2019 in the form of unsecured loans. Acuité derives comfort from the regular infusion of unsecured loans, which provides financial flexibility to the company. The fund based limit remains utilised at 78 per cent over the twelve months ended September, 2020. The company has neither availed loan moratorium, nor applied for any additional covid loan. The cash and bank balances of the company stood at Rs.0.07 Cr as on March 31, 2020 as compared to Rs.0.28 Cr as on March 31, 2019. However, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 222 days as on 31st March 2020 as compared to 161 days as on 31st March 2019. Going forward, Acuité believes the liquidity of the company will remain adequate marked by steady cash accruals, in the absence of any major debt-funded capex plans.

Outlook: Stable

Acuité believes that the outlook on Azista Industries Private Limited will remain 'Stable' over the medium term on account of the long track record of operations, financial flexibility, locational advantage, marketing support and healthy order book position for the aerospace division. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	36.29	34.06
PAT	Rs. Cr.	2.23	2.08
PAT Margin	(%)	6.14	6.12
Total Debt/Tangible Net Worth	Times	4.21	5.50
PBDIT/Interest	Times	3.59	5.04

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

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>

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
04-Oct-2019	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Upgraded)
	Term Loans	Long Term	5.93	ACUITE BBB-/Stable (Upgraded)
12-Sep-2018	Cash Credit	Long Term	3.00	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	5.93	ACUITE BB+/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	3.00	ACUITE BBB-/Stable (Reaffirmed)
Proposed facility	Not Applicable	Not Applicable	Not Applicable	5.93	ACUITE BBB-/Stable (Reaffirmed)

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About Acuité Ratings & Research

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