

Press Release

A Star Creations LLP

D-U-N-S® Number: 67-548-3428

March 15, 2019

Rating Assigned



| | |
|------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 14.00 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 14.00 crore bank facilities of A Star Creations LLP (ASCP). The outlook is '**Stable**'.

ASCP was incorporated in 2016 as a partnership concern. ASCP is engaged in manufacturing of fabric bags. The manufacturing unit is located at Noida with installed capacity of 3 lac bags per month. Currently, ASCP is utilising 50 percent of its installed capacity.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The firm is promoted by Mr. Ram Krishan Tandon, Mr. Ayush Tandon and Ms. Shukla Tandon who possesses almost two decades of experience in the textile industry.

Weaknesses

- **Nascent stage of operations**

The firm reported operating revenue of Rs.6.78 crore in FY018, which was its first full year of commercial operations as compared to Rs.0.25 crore in FY2017. The firm has clocked around Rs.8.50 crore during April to December 2018 (Provisional).

- **Average financial risk profile**

The financial risk profile is average marked by tangible net worth of Rs.5.34 crore as on March 31, 2018 which includes Rs.1.36 crore of unsecured loans from promoters treated as quasi-equity. The total debt of Rs.11.14 crore outstanding as on 31 March, 2018 comprises term loan of Rs.8.06 crore and working capital borrowings of Rs.3.08 crore. The gearing stood at 2.05 times as on 31 March, 2018 as against 1.90 times as on 31 March, 2017. Interest Coverage Ratio stood at 1.64 times in FY2018 as against 0.54 times in FY2017. NCA/TD ratio stood at 0.05 times in FY2018.

- **Working capital intensive operations**

The operations are working capital intensive as reflected by the high Gross Current Assets (GCA) of 349 days as on March 31, 2018. The same has deteriorated on account of increase in inventory levels. The inventory stood at 260 days as on March 31, 2018. Further, the average utilisation of working capital facility stands at 80 percent for last six months ended in December, 2018.

Liquidity Profile:

ASCP has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.54 crore in FY2018. Cash accruals of ASCP are estimated to remain around Rs.1.00-2.50 crore during 2019-21, while its repayment obligations are around Rs.1.10-2.20 crore in the medium term. The firm's operations are moderately working capital intensive as marked by Gross Current Assets (GCA) of 350 days in FY 2018. This has led to high reliance on working capital borrowings which were utilised at ~70 percent during the last 6-month period ended January 2019. The current ratio of the ASCP stood at 1.34 times as on March 31, 2018. Acuite believes that the liquidity is expected to be at similar levels in the absence of any significant capex plans.

Outlook: Stable

Acuite believes that ASCP will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant improvement in the firm's operations and financial risk profile. Conversely, the outlook may be revised to 'Negative' if ASCP's revenue and profitability declines or if its financial risk profile weakens.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 6.78 | 0.25 |
| EBITDA | Rs. Cr. | 1.39 | 0.04 |
| PAT | Rs. Cr. | 0.13 | (0.05) |
| EBITDA Margin | (%) | 20.45 | 16.62 |
| PAT Margin | (%) | 1.89 | (20.42) |
| ROCE | (%) | 6.96 | 0.83 |
| Total Debt/Tangible Net Worth | Times | 2.05 | 1.90 |
| PBDIT/Interest | Times | 1.64 | 0.54 |
| Total Debt/PBDIT | Times | 8.01 | 141.24 |
| Gross Current Assets (Days) | Days | 349 | 2252 |

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

Not Applicable

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 | 5.00 | ACUITE B / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 9.00 | ACUITE B / Stable |

Contacts

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|--|---|
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About Acuité Ratings & Research:

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