

Press Release

A Star Creations LLP

August 20, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs.14.00 Cr.#
Long Term Rating	ACUITE B (Withdrawn)

#Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE B**' (read as **ACUITE B**) on the bank facilities of Rs. 14.00 crores for A Star Creations LLP (ASCP). The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

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

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 are both industry veterans possessing almost two decades of experience in the textile industry. Acuité believes that the firm will benefit in the medium term with the rich experience of the promoters by maintaining long term relations with its customers and suppliers.

Weaknesses

• Modest scale of operations:

The firm operations are in the initial stages and can be classified as modest which is observed by the operating revenues of ~Rs.15.00 crore in FY2020 (Provisional) as compared to Rs.12.03 crore in FY2019 and Rs. 6.78 crores in FY2018.

• Intensive Working Capital Operations

ASCP's operations are working capital intensive in nature as reflected by its Gross Current Asset (GCA) of around 205 days as on March 31, 2020 (Provisional) as against 274 days in the previous year. The working capital cycle remains intensive on account of high levels of inventory maintained by the firm. The inventory days stood at 165 days in FY2020 (Provisional) as against 197 days in FY2019. The debtor collection period of the firm is around 73 days for FY2020 (Provisional) as against 100 days in the previous year. In addition to the above, the creditor payback period of ASCP stands at 132 days in FY2020 (Provisional). Acuité expects the operations to remain working capital intensive on account of high inventory levels maintained by the firm.

Rating Sensitivity

Not Applicable

Material Covenants

None

Liquidity position: Adequate

ASCP has adequate liquidity marked by net cash accruals to maturing debt obligations. The firm generated cash accruals of Rs. 1.86 crore in FY2020 (Provisional) as against maturing debt obligations of Rs. 0.92 crores during the same period whereas generating net cash accruals of Rs. 0.83 crores as against maturing debt obligations of Rs. 0.63 crores in FY2019. The firm's working capital operations is intense, marked by the gross current asset (GCA) days of 205 days for FY2020 (Provisional). ASCP maintains unencumbered cash and bank balances of Rs.0.02 crore as on 31 March 2020 (Provisional). The current ratio stands at 1.08 times as on 31 March 2020 (Provisional). Further, the average bank limit utilization of the firm for the last 7 month period ending in July 2020 is at around 76 percent. Acuite believes that the liquidity of ASCP is likely to remain adequate over the medium term on account of sufficient net cash accruals to debt repayments over the medium term.

Outlook:

NA

About the Rated Entity- Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	15.00	12.03
PAT	Rs. Cr.	1.29	0.21
PAT Margin	(%)	8.58	1.77
Total Debt/Tangible Net Worth	Times	2.78	3.03
PBDIT/Interest	Times	3.06	1.83

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

None

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
15-Mar-2019	Cash Credit	Long term	5.00	ACUITE B/Stable (Assigned)
	Term Loans	Long term	9.00	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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B Withdrawn

Term Loans	Not Available	Not Applicable	Not Available	9.00	ACUITE B Withdrawn
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Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research 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.

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