

Press Release

Accura Inks Private Limited

July 23, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.52 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 18.52 crore bank facilities of ACCURA INKS PRIVATE LIMITED (AIPL). The outlook is '**Stable**'.

Incorporated in 2014, AIPL is a Gujarat-based company promoted by the Kanoria family and run by experienced executives namely Mr. B K Naulakha, Mr. Arvind Makhanlal Shah and Mr. Biswadip Niranjan Naha. The company is engaged in manufacturing of gravure inks used for printing. The company has its manufacturing facility located at Silvassa, Dadra and Nagar Haveli with installed capacity of 1640 MTPA.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

AIPL is promoted by the Kanoria family and run by experienced executives namely Mr. B K Naulakha, Mr. Arvind Makhanlal Shah and Mr. Biswadip Niranjan Naha. The promoters possess experience of nearly two decades in printing and packaging industry. Mr. B K Naulakha handles finance of AIPL and the day to day activities are carried out by Mr. Biswadip Niranjan Naha. Acuité believes that AIPL will benefit from experienced management which helped the company to maintain long standing relations with customers and suppliers.

• Efficient working capital operations

AIPL has maintained efficient working capital operations marked by the Gross Current Assets (GCA) of 72 days in FY2018 as against 86 days in FY2017. This is on account of healthy collection period which stood at 9 days in FY2018 against 14 days in FY2017. Further, the inventory holding stood at 57 days in FY2018 against 68 days in FY2017. Acuité believes that the company will continue to effectively manage its working capital cycle in order to maintain a stable credit profile.

Weaknesses

• Moderate financial risk profile

The company has moderate financial risk profile marked by moderate net worth, gearing and debt protection measures. The tangible net worth of the company stood moderate at Rs.17.14 crore as on March 31, 2018 against Rs.18.15 crore as on March 31, 2017. The gearing (debt-equity) remained moderate at 1.25 times as on March 31, 2018 against 1.30 times as on March 31, 2017. The total debt outstanding of Rs.21.41 crore as on 31 March, 2018 consist of working capital borrowing of Rs.1.98 crore and term loan of Rs.19.44 crore. ICR stood at 1.57 times and DSCR stood at 0.68 times in FY2018. Total outside liabilities to tangible net worth stood at 1.65 times as on 31 March, 2018. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.04 times for FY2018. Return on Capital Employed (RoCE) stood low at 5.54 per cent in FY2018. Acuité believes that sustenance of its profitability margins and the absence of any further significant capex plans are expected to support the financial risk profile of the company in near to medium term.

• **Customer concentration risk**

The company faces high customer concentration risk. Its major customer is TCPL Packaging Limited (promoted by the Kanoria family), who accounted for ~95 percent of its sales in the last three years period ended FY2018. The customer concentration risk has led to moderation in operations marked by operating income of Rs.16.46 crore for FY2018 as against Rs.15.60 crore in FY2017. The company has booked revenue of Rs.18.58 crore for FY2019 (Provisional). Hence, the high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

Liquidity position:

The company has stretched liquidity marked by moderate net cash accruals as compared to its maturing debt obligations. AIPL generated cash accruals of Rs.0.7-1.0 crore during the last three years through 2017-18, while the maturing debt obligations were in the range of Rs.2.3 crore over the same period. The cash accruals are estimated to remain around Rs.1.0-2.5 crore during 2019-21, while its repayment obligations are estimated to be around Rs.2.3 crore. AIPL maintains cash and bank balances of Rs.0.05 crore as on March 31, 2018. The current ratio stood low at 0.41 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to be revised to moderate liquidity over the medium term on account of no capital expenditure and infusion of equity.

Outlook: Stable

Acuité believes that AIPL's outlook will remain 'Stable' over the medium term from its experienced management along with efficient working capital operations. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues while improving its profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or stretch in its working capital management leading to deterioration of its financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.46	15.60	21.05
EBITDA	Rs. Cr.	3.90	2.45	3.23
PAT	Rs. Cr.	-1.01	-0.52	0.76
EBITDA Margin	(%)	23.70	15.74	15.33
PAT Margin	(%)	-6.13	-3.31	3.63
ROCE	(%)	5.54	6.02	46.45
Total Debt/Tangible Net Worth	Times	1.25	1.30	0.17
PBDIT/Interest	Times	1.57	1.72	4.20
Total Debt/PBDIT	Times	5.30	9.21	0.44
Gross Current Assets (Days)	Days	72	86	79

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Term loans	Not Applicable	Not Applicable	Not Applicable	16.33	ACUITE BB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	0.19	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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