

Press Release

Accura Inks Private Limited

September 15, 2020



Rating Downgraded

Total Bank Facilities Rated*	Rs. 20.52 Cr. (Enhanced from Rs.18.52 Cr)
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB- /Stable)
Short Term Rating	ACUITE A4 (Downgraded from ACUIE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating to '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.20.52 crore bank facilities of Accura Inks Private Limited. The outlook is '**Stable**'.

The rating revision is in view of stretched liquidity as reflected by a current ratio of 0.41 times Provisional in as on March 31, 2020 as against 0.47 times as on March 31, 2019. Further, the bank limit utilization stands 90-95 percent utilized.

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 an installed capacity of 1640 MTPA.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AIPL to arrive at this 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 have an experience of nearly two decades in the 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

The company has efficient working capital operations marked by Gross Current Asset (GCA) days of 53 Provisional in FY2020 as compared to 52 days in the previous year. The inventory days stood at 42 days Provisional in FY2020 as against 45 days in FY2019. The collection days are moderate at 14 days Provisional in FY2020 as against 6 days in FY2019.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

• Modest scale of operations

AIPL's scale of operations is modest as reflected by CAGR of ~8 percent over the last three years through FY2017 to FY2020 Prov. The operating income of AIPL stood at Rs. 20.02 crore (Provisional) in FY2020 as against Rs.18.66 crore in FY2019, Rs.16.46 crore in FY2018 and Rs.15.60 crore in FY2017.

Further, AIPL's margin stood at 29.24 percent (Provisional) in FY2020 as against 24.89 percent in FY2019 and 23.70 percent in FY2018. The company reported Profit after Tax (PAT) of 10.04 percent (Provisional) in FY2020 as against negative 0.61 percent in FY2019 and negative 6.13 percent in FY2018.

Acuité believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the company.

- **Above average financial risk profile**

AIPL has above-average financial risk profile marked by tangible net worth of Rs.19.04 crore as on 31 March, 2020 (Provisional) as against Rs. 17.03 crore as on 31 March, 2019. The gearing (debt to equity) stood at 1.00 times (Provisional) as on March 31, 2020 Prov as against 1.30 times as on March 31, 2019. The total debt of Rs.19.03 crore (Provisional) as on March 31, 2020 consists of a term loan of Rs.14.69 crore, unsecured loans of Rs.2.86 and working capital borrowing of Rs. 1.48 crore. Interest Coverage Ratio (ICR) stood moderate at 2.54 times (Provisional) in FY2020 as against 1.83 times in FY2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.28 times (Provisional) as on 31 March, 2020 as against 1.58 times as on 31 March, 2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.19 times (Provisional) in FY2020 as against 0.07 times in FY2019.

Going forward, Acuité expects the financial risk profile to improve on account of improvement in operating performance.

Rating Sensitivities

- Continuous improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.
- Further deterioration in liquidity position.

Material Covenants

None

Liquidity position: Stretched

AIPL has stretched liquidity marked by high working capital borrowings with nearly full utilisation for the six months ended in August, 2020. The net cash accruals generated are in the range of Rs.0.7-3.6 crore which tightly matches the repayment obligation of Rs. 2.35 crore over the period of FY2017-FY2020 Provisional. The company maintains unencumbered cash and bank balances of Rs.0.23 crore Provisional as on March 31, 2020. The current ratio of the company stood low at 0.41 times Provisional as on March 31, 2020. Acuité believes that the liquidity profile will be a key factor to maintain a stable credit profile.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on account of experienced management and efficient working capital operations. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than the envisaged working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	20.02	18.66
PAT	Rs. Cr.	2.01	(0.11)
PAT Margin	(%)	10.04	(0.61)
Total Debt/Tangible Net Worth	Times	1.00	1.30
PBDIT/Interest	Times	2.54	1.83

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

Not Applicable

Any other information

None

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
23-Jul-2019	Term Loan	Long Term	16.33	ACUITE BB- /Stable (Assigned)
	Bill Discounting	Short Term	2.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	0.19	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
Term Loan	May, 2012	Not Applicable	April, 2022	16.33	ACUITE B+ /Stable (Downgraded from ACUITE BB- /Stable)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Downgraded from ACUITE A4+)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.19 (Enhanced from Rs.0.19 Cr)	ACUITE B+ /Stable (Downgraded from ACUITE BB- /Stable)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Grishma Muni Analyst - Rating Operations Tel: 022-49294035 grishma.muni@acuite.in	

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.

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.