

## Press Release

Accura Inks Private Limited

February 07, 2023



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.52	ACUITE B+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	20.52	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.20.52 crore bank facilities of Accura Inks Private Limited (AIPL). The outlook is '**Stable**'.

### Reason for rating reaffirmation:

The rating reaffirmation factors in the stable operating performance of the company, marked by improvement in the operating income, marginal decline in the profitability margins and moderate financial risk profile. The company's revenue stood at Rs.26.78 crore in FY2022 compared to revenue of Rs.21.10 crore in FY2021. Subsequently, the company has recorded a turnover of Rs.25.60 in 9MFY2023. This marginal increase in the revenues is due to increase in the demand of the products. However the ratings are constrained by the moderately intensive working capital operations and the stretched liquidity position of the company.

## About the Company

Incorporated in 2014, AIPL is a Gujarat-based company promoted by the Kanoria family. 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

Acuite has considered the standalone business and financial risk profiles of AIPL to arrive at this rating.

## Key Rating Drivers

### Strengths

Experienced management

AIPL is based in Gujarat and was incorporated in 2014. The company is promoted by the Kanoria family, who have an experience of nearly two decades in the printing and packaging industry. The day-to-day operations of the company are managed by the promoter along with experienced senior management team who are ably supported by a strong line of mid-level managers. Acuité believes that AIPL will benefit from experienced management which helped the company to maintain long-standing relations with customers and suppliers.

### **Moderate financial risk profile**

The company has a moderate financial risk profile marked by tangible net worth of Rs.21.67 crore as on 31 March 2022 as against Rs.19.02 crore as on 31 March 2021. The increase in the net worth is due to the accretion of profits to reserves. The gearing level of the company stood at 0.75 times as on 31 March 2022 as against 0.97 times as on 31 March 2021. The total debt of the company stood at Rs.16.24 crore as on March 31, 2022. The total debt comprised of long-term debt of Rs.12.08 crore and unsecured loans of Rs.1.97 crore as on 31 March 2022. The coverage ratios of the company stood moderate with Interest Coverage Ratio (ICR) of 2.88 times for FY2022 against 2.72 times for FY2021. The Debt Service Coverage Ratio (DSCR) stood at 1.12 times for FY2022 against 1.38 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.98 times for FY2022 as against 1.29 times in FY2021. Acuité believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

### **Weaknesses**

#### **Moderately intensive working capital operations**

The company's operations are moderately working capital intensive as evident from Gross Current Asset (GCA) of 77 days as on March 31, 2022 as against 115 days as on March 31, 2021. The inventory levels have improved and stood at 46 days for FY2022 compared against 66 days for FY2021. The average inventory holding period is around 40-60 days. The company stocks up the raw materials and uses it according to the requirement based on the orders received. The debtor days stood at 13 days for FY2022 against 61 days for FY2021. The average credit period allowed to the customers is around 30-45 days. The creditor days of the company stood at 59 days for FY2022 as against 108 days for FY2021. The average credit period received from the customers is around 60-90 days. The average utilization of the bank limits of the company remains high at ~94 percent in last six months ended December 2022. Acuité believes that working capital management will be a key rating monitorable in medium term.

#### **Customer concentration risk**

The company faces high customer concentration risk. Its major customer is TCPL Packaging Limited who accounted for ~80 percent of its sales in the last two years. The customer concentration risk has led to moderation in operations marked by operating income of Rs.26.78 crore in FY2022 crore as against Rs.21.10 crore in FY2021. Hence, the high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

### **Rating Sensitivities**

Substantial improvement in the scale of operations while maintaining profitability.  
Deterioration in liquidity position and Elongation of working capital cycle.

### **Material covenants**

None

### **Liquidity position:stretched**

The company has a stretched liquidity position marked by low net cash accruals against its

maturing debt obligations. The company generated cash accruals of Rs.3.73 crore in FY2022 compared against maturing debt obligation of Rs.3.16 over the same period. The cash accruals of the company are estimated to remain in the range of Rs.5.69-7.05 crore during 2023-24 period while its maturing debt obligations is estimated to be in the range of Rs.2.80-3.34 crore during the same period. The company's reliance on working capital borrowings remain high at ~94 percent in last six months ended December' 2022. The company maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2022. The current ratio stood at 1.03 times as on March 31, 2022.

### Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on account of experienced management. 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	26.78	21.10
PAT	Rs. Cr.	2.00	2.24
PAT Margin	(%)	7.48	10.64
Total Debt/Tangible Net Worth	Times	0.75	0.97
PBDIT/Interest	Times	2.88	2.72

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

None

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Dec 2021	Secured Overdraft	Long Term	1.50	ACUITE B+   Stable (Reaffirmed)
	Term Loan	Long Term	3.09	ACUITE B+   Stable (Reaffirmed)
	Term Loan	Long Term	11.98	ACUITE B+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.95	ACUITE B+   Stable (Reaffirmed)
15 Sep 2020	Proposed Bank Facility	Long Term	2.19	ACUITE B+   Stable (Downgraded from ACUITE BB-   Stable)
	Term Loan	Long Term	16.33	ACUITE B+   Stable (Downgraded from ACUITE BB-   Stable)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Downgraded from ACUITE A4+)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.95	ACUITE B+   Stable   Reaffirmed
Axis Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE B+   Stable   Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.98	ACUITE B+   Stable   Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.09	ACUITE B+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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