

Press Release

Anjali Kitchenware Private Limited

July 26, 2021

Rating Assigned



Total Facilities Rated*	Rs.9.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.9.00 Cr. bank facilities of Anjali Kitchenware Private Limited (AKPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating takes into account the established track record of operations and extensive experience of the promoter in the consumer goods industry and augmentation in the business risk profile of the company over the years. Further, the rating also factors the adequate liquidity position of the company marked by adequate net cash accruals generated against no debt repayments. However, the rating has been constrained by the moderate financial risk profile of the company followed by working capital intensive nature of operations and presence in a highly competitive industry.

About the Company

Mumbai based, AKPL was initially incorporated in 1974 as a partnership firm by Late Mr. Atmaram Patel. Later, the partnership firm was converted into a private limited company in 2007. The day to day operations are currently handled by the Mr. Sanjay Patel, son of Mr. Atmaram Patel. The company is currently engaged in manufacturing of all types of kitchenware items including non-stick cooking ware. The company has two manufacturing facilities located in Malad and Vasai of Maharashtra.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established operations with experience management

AKPL was established in 1974 as a partnership firm by Late Mr. Atmaram Patel which was later converted into a private limited company in 2007. The current promoter and director of the company Mr. Sanjay Patel who handles the day to day operations of the company possess more than two decades of experience in the consumer goods industry. The experienced of the promoters and well established track of operations has benefited the company to maintain long term relationship with its customers since its inception across the country over the years.

Acuité believes that AKPL will sustain its existing business profile on back of an established track record of operations and experienced management over the medium term.

• Augmentation in scale of operations over the years

The revenue of the company grew ~11 percent CAGR over FY18-21 (Provisional) period. Further, the revenues increased ~8 percent y-o-y and stood at Rs.60.32 crore in FY21 (Provisional) as against Rs.55.70 crore in FY20 and Rs.50.89 crore in FY19. The increase in revenues is mostly on account of increasing demand of kitchenware appliances in the domestic market supported by increasing brand presence in different locations of the country. The operating profit margin of the company remained in the range of 3.5-4.5 percent in last four years. The margin improved marginally to 4.08 percent in FY21 (Provisional) as against 3.81 percent in FY20 majorly on account of decline in operating expenses. Further, the company generated PAT of Rs.1.26 crore in FY21 (Provisional) against Rs.0.57 crore in FY20 (Provisional). Acuité believes that the improvement in scale of operations and maintaining profitability over the medium term will remain a key rating sensitivity.

Weaknesses

• Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate tangible net worth, gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs.6.16 crore as on 31 March, 2021 (Provisional) as against Rs.4.67 crore in the previous year. The gearing level of the company stood at 1.46 times as on 31 March, 2021 (Provisional) compared to 2.13 times same period last year. The borrowings of the company includes only working capital borrowings of Rs.8.97 crore. The interest coverage ratio marginally improved to 2.64 times in FY21 (Provisional) as against 2.13 times in the previous year. The debt service coverage ratio stood at 2.23 times in FY21 (Provisional) as against 1.74 times in the previous year. The total liabilities to tangible net worth (TOL/TNW) improved marginally to 3.53 times as on 31 March, 2021 (Provisional) as against 4.09 times in the previous year. The debt to EBITDA also remained moderate at 3.58 times for FY21 (Provisional) as against 4.57 times for FY20.

Acuite believes that the financial risk profile of the firm will remain moderate over the medium term on account of moderate growth in revenues and profitability.

• Working capital intensive operations

The operations of the company are moderately working capital intensive in nature marked by Gross Current Assets (GCA) of 135 days for FY21 (Provisional) as against 130 days for FY20. The inventory holding period for FY21 (Provisional) stood at 34 days which is in line with FY20 levels. The debtor days increased to 86 days for FY21 (Provisional) as against 76 days for FY20. The creditor days was increased to 99 days for FY21 (Provisional) as against 72 days for FY20. The inventory level of the group remains at similar levels of 88 days in both FY20 and FY19 respectively. The average cash credit limit utilization stood moderate at around 72 percent during in last six months ended June, 2021.

Acuite believes the ability of the company to manage its working capital cycle will be a key rating sensitivity.

Rating Sensitivities

- Improvement in revenues while maintaining profitability margins
- Any deterioration in the financial risk profile and liquidity position of the company

Material Covenants

None

Liquidity position: Adequate

The company has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company had NCA of Rs.1.56 crore as against nil maturing debt obligation in FY2021 (Provisional). The cash accruals of the company are estimated to remain around Rs.1.55 - 2.35 crore during 2022-24 while its repayment obligation is estimated to be nil during the same period. However, the operations of the company are working capital intensive marked by gross current asset (GCA) days of 135 days for FY2021 (Provisional). The working capital requirement is funded through bank lines that have been utilized over 72 percent in last six months ended June, 2021. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accruals with moderate repayments over the medium term.

Outlook: Stable

Acuite believes that the company will maintain 'Stable' outlook in the medium term on account of the extensive experience of the promoters in the consumer goods industry. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of less-than-expected generation of cash accruals or stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	60.32	55.70
PAT	Rs. Cr.	1.26	0.57
PAT Margin	(%)	2.09	1.03

Total Debt/Tangible Net Worth	Times	1.46	2.13
PBDIT/Interest	Times	2.64	2.13

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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	9.00	ACUITE BB+/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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