

Press Release

Asia Bulk Sacks Private Limited

March 30, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.50	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	6.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	52.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.52.00 crore bank facilities of Asia Bulk Sacks Private Limited (ABSPL). The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned reflects a long established track record and experience of management along with improvement in scale of operations, moderate financial risk profile and geographically diversified customer profile. However, the above strengths are partly offset by working capital intensive operations, high intensity competition in FIBC industry, supplier concentration and susceptibility in profitability due to volatility in raw material prices as polypropylene prices move with the crude oil prices.

About the Company

Incorporated 1984, Gujarat based Asia Bulk Sacks Private Limited was originally incorporated in the name of Asia Woven Sacks Pvt. Ltd. The Company was taken over by its directors Shri Ajit Chaudhari & Chatrasinh Chaudhari since 29th Dec. 2001. Since the company has made an expansion and diversified into manufacturing FIBC (Flexible Intermediate Bulk Containers) in addition to the existing product of woven sacks in the year 2012-13, hence the company's name was changed to Asia Bulk Sacks Private Limited with effect from dt.06-11-2012, the company was taken over by the Gandhi Family in 2019 wherein Geeta Nilesh Gandhi and Aditya Nilesh Gandhi are the directors, and Nilesh Gandhi is the CEO of the company.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Asia Bulk Sacks Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

>Established track record and experienced management

ABSPL has an established track record of more than two decades in this line of business with an experienced management. The company is managed by Gandhi family since 2016. The experience of the promoters has helped the company to maintain a healthy relationship with its customers and suppliers of around 5-10 years. The exports constitutes about 70-75 percent of its total sales, with majorly being in the key markets of US, Europe, Middle Eastern Countries among others. The experience of the promoters is also reflected through stable scale of operations over the three years, with revenue of Rs.118.91 Cr in FY2021 as against Rs.103.11 Cr in FY2020 and Rs.112.21 Cr in FY2019. However, in current year company has already achieved a turnover of Rs ~ 120 crore till February 2022 and is expecting to close this fiscal year at ~Rs.135 crore. The EBITDA margin has improved to 11.39 percent in FY2021 from 5.67 percent in FY2020 and the PAT margin also improved to 4.68 percent in FY2021 from 1.03 percent in FY2020.

Acuité believes that the company will benefit from the long track record of operations along with a healthy relationship with its customer and suppliers.

>Moderate Financial Risk Profile

The company has a moderate financial risk profile marked by healthy net-worth, stable gearing and comfortable debt protection metrics. The tangible net-worth of the company stood at Rs. 30.82 Cr as on March 31, 2021, as against Rs.25.26 Cr as on March 31, 2020, and Rs.24.20 Cr as on March 31, 2019. The improvement in net-worth is on account of accretion of profits in reserves. The gearing (Debt/Equity) stood at 1.24 times as on March 31, 2021 as against 1.17 times as on March 31, 2020 and 1.12 times as on March 31, 2019. TOL/TNW stood at 1.91 times as on March 31, 2021 as against 1.83 times as on March 31, 2020 and 1.76 times as on March 31, 2019. The interest coverage stood at 4.89 times in FY2021 as against 3.14 times in FY2020 and 2.49 times in FY2019. The Debt to EBITDA stood at 2.76 times as on March 31, 2021, as against 4.75 times as on March 31, 2020, and 3.73 times as on March 31, 2019.

Acuité believes the financial risk profile of the company is expected to remain moderate backed by moderate cash accruals and no major debt-funded capex in the near to medium term.

Weaknesses

>Working capital intensive nature of operations

The company has an intensive working capital cycle marked by GCA days of 188 days as on March 31, 2021 as against 165 days as on March 31, 2020. The GCA days are majorly driven by debtor and inventory days. The debtor days stood at 46 days as on March 31, 2021, as against 41 days as on March 31, 2020. The inventory days stood at 98 days as on March 31, 2021, as against 92 days as on March 31, 2020. The average bank limit utilisation for last six months ended January 2022 stood at 99 percent.

Acuité expects the working capital management to remain intensive over the medium term on account of the high inventory level maintained, which is inherent in the aforementioned industry.

>Highly competitive industry with Vulnerability in profitability

Company faces an intense competition from the other FIBC players in the industry which limits its bargaining power with customers. And also, the polypropylene which is the major raw material for the company is linked to crude oil prices which is highly volatile in nature. Hence, any adverse fluctuations in the prices of raw material will put pressure on margins and eventually on revenue.

Rating Sensitivities

- Improvement in scale of operations along with profitability margins
- Elongation of working capital cycle.

Material covenants

None

Liquidity Position: Adequate

The company has an adequate liquidity position marked by sufficient cash accruals against its debt repayment obligations. The company has generated net cash accruals of Rs. 9.27 Cr and Rs. 3.83 Cr in FY2021 and FY2020 respectively against debt repayment obligations of Rs. 0.69 – 1.13 Cr for the same period. The company is expected to generate net cash accruals in the range of 12-15 Cr over the medium term, against debt repayment obligations of Rs. 3-4.5 Cr. The average bank limit utilization for last six months ended January 2022 stood at 99percent.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that ABSPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to the extensive experience of the promoters, established track record of operations and moderate financial risk profile. The outlook may be revised to 'Positive' if the company achieves significant growth in revenue and improvement in profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile on account of higher than expected working capital requirement.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	118.91	103.11
PAT	Rs. Cr.	5.57	1.06
PAT Margin	(%)	4.68	1.03
Total Debt/Tangible Net Worth	Times	1.24	1.17
PBDIT/Interest	Times	4.89	3.14

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

CRISIL, vide its press release dated July 14, 2021 had denoted the rating to ASIA BULK SACKS PRIVATE LIMITED (ABSPL) as 'CRISIL B+ /Stable /CRISIL A4' (Issuer Not Cooperating - Withdrawn)' on account of lack of adequate information required for monitoring of ratings.

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>
- Application Of 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:

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ Assigned
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.59	ACUITE BB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	25-09-2020	7.5	01-09-2026	4.05	ACUITE BB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	01-08-2021	7.40	01-08-2024	8.75	ACUITE BB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	25-10-2020	9.15	01-10-2026	1.69	ACUITE BB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	16-04-2020	7.40	16-04-2022	0.42	ACUITE BB+ Stable Assigned

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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 8,850 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 Kanjurmarg, Mumbai.

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