

Press Release
AMIGO INDUSTRIES
July 29, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.78	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	26.78	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) to the Rs 26.78 Cr. bank facilities of Amigo Industries. The outlook is '**Stable**'.

Rationale for the Rating Assigned

The rating assigned reflects extensive experience of the partners in the industry. The rating also factors in moderate financial risk profile of the firm marked by moderate net worth, low gearing and comfortable debt protection metrics. The overall gearing of the firm stood at 1.03 times as on March 31, 2024 (Prov.) as against 1.71 times as on March 31, 2023 and 2.15 times as on March 31, 2022. These strengths are partly offset by moderate working capital cycle and highly fragmented nature of the industry.

About the Company

Incorporate in 2010, Gujarat based Amigo industries is engaged in manufacturing of corrugated boxes & sheets. It is also manufacture paper tubes for polyester yarn industry. The manufacturing plants are located in in Morai, Vapi. The current annual production capacity for corrugated boxes is 24,000 MTPA and for paper tubes is 9000MTPA. The firm is owned and managed by Mr. Kanhaiyalal Agarwal alongwith Mr. Garvit Agarwal and Mr.Yash Agarwal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone view of business and financial risk profile of Amigo Industries to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations along with experienced management

Amigo industries is owned and managed by Mr. Kanhaiyalal Agarwal along with Mr. Garvit Agarwal and Mr.Yash Agarwal. Mr.Kanhaiyalal Agarwal has experience of more than two decade in the corrugation industry. The extensive experience of the partners have aided the firm in forging long standing relationship is its customers and suppliers. Majority of the top ten customers have been associated with the firm for more than a decade. Acuite believes the firm will continue to benefits from the experience of its partners and maintain its longstanding association with its customers and suppliers.

Moderate Financial risk profile

The financial risk profile of the company remained moderate marked by a moderate net worth, moderate gearing, and moderate debt protection metrics. The net worth of the company stood healthy at Rs.18.95 crore as on 31 March 2024 (Prov.) as against Rs.14.27 crore as on 31 March 2023. The increase in the net worth is due to the accretion of profits to reserves. The gearing of the company stood at 1.03 times as on 31 March 2024 (Prov.) as against 1.71 times as on 31 March 2023. The TOL/TNW stood at 1.55 times as on March 31, 2024 (Prov.) as against 2.46 times as on March 31, 2023. The debt protection metrics stood moderate with DSCR standing at 2.93 times as on 31st March 2024 (Prov.) as against 2.37 times as on 31st March 2023 and ICR stood at 5.25 times as on 31st March 2024 (Prov.) as against 4.64 times as on 31st March 2023.

The company is undergoing a capex to enhance its paper tubes production capacity from 750 MTPM to 1000 MTPM. The project is estimated to be completed and become operational from September, 2024. The project is estimated to cost Rs. 5 Cr. which would be funded equally by debt and internal accruals.

Weaknesses

Moderately intensive working capital operations

The firm's working capital cycle is moderately intensive marked by gross current asset days of 88 days as on March 31, 2024 (Prov.) as against 84 days as on March 31, 2023. The debtor days stood at 61 days for FY24 (Prov.) compared against 57 days for FY23. The inventory days are stable and stood at 16 days for FY24 (Prov.) when compared against 13 days for FY23. The creditor days of the company stood at 31 days for FY24 (Prov.) as against 28 days for FY23. The average utilization of the bank limits of the company remains high at ~86.72 percent in last six months ended June 24.

Competitive and fragmented industry:

Amigo Industries operates in a fragmented and competitive industry, where it faces high competition from well established players with high resources. However, Amigo Industries has been providing multiple product offerings, such as corrugated boxes and POY Papertubes along with maintaining diversified industry clientele to retain its market position. Acuité believes that the addition of new customers will be critical in order to scale up its operations over the medium term.

Rating Sensitivities

Ability to maintain sustainable growth in scale of operations and profitability
Elongation in working capital cycle

Liquidity Position Adequate

The firm has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company is estimated to generate net cash accruals in the range of Rs.9.00 - Rs.11.00 crore in FY2025-FY2026 against repayment obligations of around Rs.3.00 Cr. for the same period. The firm maintains unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2024 (Prov.) The current ratio stood at 1.53 times as on March 31, 2024 (Prov.) The average utilization of the bank limits of the company remains high at ~86.72 percent in last six months ended June 24.

Outlook : Stable

Acuité believes that Amigo Industries will continue to benefit over the medium term due to established track record of operations along with experienced management and moderate financial risk profile.

The outlook may be revised to "Positive", if the company demonstrates higher than expected growth in revenues while improving its profitability levels. Conversely, the outlook may be revised to "Negative", if the company generates lower than expected growth in revenues and records decline in the operating profitability and or further elongation in working capital operations thereby affecting its liquidity position and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	128.89	141.74
PAT	Rs. Cr.	6.79	4.96
PAT Margin	(%)	5.27	3.50
Total Debt/Tangible Net Worth	Times	1.03	1.71
PBDIT/Interest	Times	5.25	4.64

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>
- 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
SVC Co-Op Bank Limited	Not avl. / Not appl.	Cash Credit	29 Dec 2021	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB+ Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Cash Credit	29 Dec 2021	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB+ Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Covid Emergency Line.	31 Mar 2022	Not avl. / Not appl.	31 Mar 2027	Simple	5.53	ACUITE BB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.40	ACUITE BB+ Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	31 Oct 2023	Not avl. / Not appl.	10 Oct 2028	Simple	0.90	ACUITE BB+ Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	18 Mar 2024	Not avl. / Not appl.	28 Feb 2029	Simple	0.87	ACUITE BB+ Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	04 Jul 2017	Not avl. / Not appl.	31 Jul 2025	Simple	1.54	ACUITE BB+ Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	04 Jul 2017	Not avl. / Not appl.	30 Nov 2026	Simple	1.75	ACUITE BB+ Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	31 Mar 2021	Not avl. / Not appl.	28 Feb 2026	Simple	1.79	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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