

## Press Release

### Akal Spring Limited

September 08, 2021

#### Rating Withdrawn



<b>Total Bank Facilities Rated*</b>	Rs. 9.30 Cr.
<b>Long Term Rating</b>	ACUITE B+ (Withdrawn)

\* Refer Annexure for details

#### Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.9.30 Crore bank facilities of Akal Spring Limited (ASL).

The rating is being withdrawn on receipt of withdrawal request from the company and satisfaction of charges on MCA. The rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating.

#### About the Company

The Punjab based ASL, incorporated in 1974 is engaged in the manufacture of spring leaves and motor parts and has an installed capacity of 1200 MT per month. The company purchases raw materials- iron and steel from suppliers in Punjab, Rajasthan, U.P. and Delhi and sells the product in domestic as well as international markets (Australia, France, Nigeria and others).

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

ASL has long track record of operation as the company is into the business since 1974. The promoter Mrs. Jaspaal kaur, Ms. Sandeep Kaur Riat and Mr. Amrit Pal Riat have around three decade of experience in the same industry.

- **Above average financial risk profile**

The financial risk profile of the company has improved over the year as compare to previous year as reflected by low gearing levels of 0.36 times as on 31st March 2021 (Prov.) as against 0.31 times in the previous year. Coverage ratios of the group have remain good with the DSCR & ICR of 2.71 times and 3.04 times in FY2021 (Provisional) and 1.86 times and 2.96 times in FY2020. Total debt of the group has stood at Rs. 8.37 crores in FY2021 (Provisional) compared to Rs.7.03 crores in the previous year. Debt consist of long term debt of Rs.2.73 crore, unsecured loan of Rs.0.48 crore and Rs.5.16 crore of short term debt.

##### Weaknesses

- **Moderate Working Capital intensive nature of operations**

FY2021's (Prov.) working capital operations remained moderately intensive as observed by the GCA of 131 days in FY2021 (Provisional) as against 106 days in FY2020. However, the same is on account of inventory holding period of 45 days as in FY2021 (Provisional) against 53 days in the previous year. Further, the debtor collection period of the group stood at 68 days in FY2021 (Prov.) as against 42 days in FY2020.

##### Rating sensitivity

Not applicable

##### Material Covenant

None

**Liquidity position: Adequate**

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.24 Crore in FY2021 (Provisional). The company's working capital operations are moderately intensive marked by gross current asset (GCA) days of 131 days in FY2021 (Provisional). Company maintains unencumbered cash and bank balances of Rs.0.62 Crore as on 31 March 2021 (Provisional). The current ratio stands at 1.20 times as on 31 March 2021 (Provisional).

**Outlook:**

Not applicable

**About the Rated Entity - Key Financials**

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	50.22	49.00
PAT	Rs. Cr.	0.62	0.55
PAT Margin	(%)	1.23	1.12
Total Debt/Tangible Net Worth	Times	0.36	0.31
PBDIT/Interest	Times	3.04	2.96

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

Not Applicable

**Any other information**

Not Applicable

**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 (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
August 28, 2020	Term Loan	Long Term	0.30	ACUITE B+ (Indicative)
	Cash Credit	Long Term	9.00	ACUITE B+ (Indicative)
May 27, 2019	Term Loan	Long Term	0.30	ACUITE B+ (Indicative)
	Cash Credit	Long Term	9.00	ACUITE B+ (Indicative)
March 06, 2018	Term Loan	Long Term	0.30	ACUITE B+ (Indicative)

	Cash Credit	Long Term	9.00	ACUITE B+ (Indicative)
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#### \*Annexure – Details of instruments rated

Lenders Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Dena Bank	Term Loan	Not Available	Not Available	Not Available	0.30	ACUITE B+ (Withdrawn)
Dena Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE B+ (Withdrawn)

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#### About Acuité Ratings & Research:

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