

Press Release

Anofol Far East Anodizing Private Limited

June 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.80 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.6.80 crore bank facilities of Anofol Far East Anodizing Private Limited (AFEAPL). The outlook is '**Stable**'.

Anofol Far East Anodizing Private Limited (AFEAPL), an ISO 9001 certified company based at Rajkot (Gujarat) was established in 2011. The company is engaged in manufacturing of anodized aluminum products, PCBs and MCPCBs. The operations are managed by Mr. Mansukh Makwana, Mr. Kunal Makwana and Mr. Dinesh Patel. The manufacturing facility situated in Metoda GIDC (Dist. Rajkot) with installed 1250mm wide Continuous Coil Anodizing Line.

Key Rating Drivers

Strengths

• Experienced management

Mr. Mansukh Makwana, the key promoter has over three decades of experience in the aluminum industry. Other directors, Mr. Kunal Makwana and Mr. Dinesh Patel of the company have over a decade of experience in the same line of business through their association with the company and other firm.

Weaknesses

• Modest financial risk profile

The financial risk profile of the company is marked by moderate net worth of Rs.6.37 crore as on 31 March, 2018 (Provisional) which includes unsecured loans from promoters of Rs.3.58 crore and Rs.5.03 crore as on 31 March, 2017 which includes unsecured loans from promoters of Rs.0.74 crore. The interest coverage ratio stood at 1.08 times in FY2018 (Provisional) as compared to 1.74 times in FY2017. The debt service coverage ratio stood low at 0.85 times in FY2018 (Provisional) as compared to 1.50 times in FY2017.

• Stretched working capital cycle

The company has a stretched working capital cycle marked by high Gross Current Asset (GCA) of 361 days in FY2018 (Provisional), which has increased from 305 days in FY2017. The high GCA days are on account of high inventory of 195 days in FY2018 (Provisional), which has increased from 113 days in FY2017 and 60 days in FY2016. The receivables also stood high at 87 days in FY2018 (Provisional) which has increased from 70 days in FY2017.

• Intense competition

The company faces intense competition from presence of large number of players in the industry which is likely to have an impact on its operating performance and profitability.

Analytical Approach

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

Outlook: Stable

Acuite believes that AFEAPL will maintain a 'Stable' outlook over the medium term as backed by its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected revenues and cash accruals and improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its financial risk profile and working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	3.48	3.62	4.26
EBITDA	Rs. Cr.	0.73	0.10	-0.09
PAT	Rs. Cr.	-1.51	-1.17	-2.52
EBITDA Margin	(%)	20.96	2.82	-2.09
PAT Margin	(%)	-43.54	-32.43	-59.16
ROCE	(%)	-7.11	-4.08	-14.77
Total Debt/Tangible NetWorth	Times	0.89	1.34	0.95
PBDIT/Interest	Times	1.08	1.74	-0.07
Total Debt/PBDIT	Times	7.71	5.17	-110.12
Gross Current Assets (Days)	Days	361	305	268

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.41	ACUITE B- / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.39	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:

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