

## Press Release

### Anofol Far East Anodizing Private Limited

September 13, 2019

#### Rating Upgraded, Reaffirmed and Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.80 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable (Upgraded from ACUITE B-/Stable)
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

#### Rating Rationale

Acuite has upgraded long-term rating of '**ACUITE B**' (read as **ACUITE B**) from '**ACUITE B-**' (read as **ACUITE B minus**) and reaffirmed, assigned 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 (AFPL). The outlook is '**Stable**'.

The rating upgrade is on account of improvement in scale of operations and financial risk profile of the company. The operating margins have also improved to 21.42 per cent in FY2019 as against 19.51 per cent in FY2018 and 2.82 per cent in FY2017. Acuite expects operations to further improve on account of increase in market presence and stabilisation of capital expenditure undertaken over the past years.

Anofol Far East Anodizing Private Limited (AFPL), 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 is situated in Metoda GIDC (Dist. Rajkot) with an installed 60,000 Sq. Meters Per annum of PCBs and 400 MTS per annum for aluminum Anodizing.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Experienced management and reputed clientele**

The key promoter, Mr. Mansukh Makwana, has over three decades of experience in the aluminum industry. Other directors of the company, Mr. Kunal Makwana and Mr. Dinesh Patel, have over a decade of experience in the same line of business through their association with the company and other firm. The extensive experience of the promoters has helped to establish long-standing relationship with reputed customers that include Major OEMs of Wipro Lighting, Crompton Lighting, Bajaj Lighting, Syska Lighting, Halonix Technologies, Osram Lighting, Philips Lighting, among others.

- **Improving operating revenue and margins**

The operating income of the company has improved to Rs. 5.48 crore in FY2019 as against Rs.3.48 crore in FY2018 growing at 57.38 per cent Y-o-Y. The operating margins have also improved to 21.42 per cent in FY2019 as against 19.51 per cent in FY2018 and 2.82 per cent in FY2017. The improvement is on account of modernization and reduction in raw material prices. The company has achieved revenue of Rs. 3.50 crore in first five months ending August 2019 and has order book of Rs.3.65 crore to be executed in upcoming three months. Acuite expects operations to further improve on account of increase in market presence and stabilisation of capital expenditure undertaken over the past years.

##### Weaknesses

- **Average financial risk profile**

The financial risk profile of the company is marked by moderate net worth of Rs. 7.24 crore as on 31 March, 2019 as against Rs.6.15 crore as on 31 March, 2018 which includes unsecured loans from

promoters of Rs.5.43 crore and Rs.3.42 crore as on 31 March, 2018. The gearing (Debt equity) stood low at 0.67 times as on 31 March, 2019 as against 0.95 times as on 31 March, 2018. The interest coverage ratio stood at 1.64 times as against 1.04 times in FY2018. The debt service coverage ratio (DSCR) stood low at 1.01 times in FY2019 as compared to 0.81 times in FY2018.

#### • Moderately stretched working capital cycle

The company has a stretched working capital cycle marked by high Gross Current Asset (GCA) of 260 days in FY2019, as against 360 days in FY2018. The high GCA days are on account of high inventory of 182 days in FY2019 and 190 days in FY2018. Thus, resulting in moderate reliance on working capital limits which stood utilised at 80.00 per cent for last six month ending August 2019.

#### Liquidity Position

The liquidity of the company stood stretched as marked by Rs.0.49 crore of net cash accruals as against Rs.0.72 crore repayment obligation for FY2019. The net cash accruals are likely to remain between Rs. 0.50 crore to Rs. 1.00 crore for FY2020-22. The current ratio stood at 1.10 times in FY2019 and stretched working capital cycle marked by high Gross Current Asset (GCA) of 260 days in FY2019. Thus, resulting in moderate reliance on working capital limits that stood utilized at 80.00 per cent for last six month ending August 2019. The company is currently managing its repayment obligation by support of promoter's unsecured loans.

#### Outlook: Stable

Acuite believes that AFPL 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	5.48	3.48	3.62
EBITDA	Rs. Cr.	1.17	0.68	0.10
PAT	Rs. Cr.	-0.93	-1.55	-1.17
EBITDA Margin	(%)	21.42	19.51	2.82
PAT Margin	(%)	-16.94	-44.59	-32.43
ROCE	(%)	-1.94	-7.33	-4.08
Total Debt/Tangible Net Worth	Times	0.67	0.95	1.34
PBDIT/Interest	Times	1.64	1.04	1.74
Total Debt/PBDIT	Times	4.07	8.21	5.17
Gross Current Assets (Days)	Days	260	360	305

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

Not Applicable

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

## Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jun-2018	Cash Credit	Long Term	1.00	ACUITE B- / Stable (Assigned)
	Term Loan	Long Term	3.41	ACUITE B- / Stable (Assigned)
	Letter of Credit	Short Term	2.39	ACUITE A4 (Assigned)

## \*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	1.00	ACUITE B / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.21	ACUITE B / Stable (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.39	ACUITE A4 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE A4 (Assigned)

Note:

1. Term loans includes working capital term loan of Rs.1.26 Crore.
2. Fully Interchangeable Facilities: Cash Credit and Letter of Credit

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## About Acuité Ratings & Research:

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