

## Rating Rationale

### Brickwork Ratings Assigns ‘BWR B’ Rating for Bank Loan Facilities aggregating to ₹ 8.50 Cr of ACP Industries Limited

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for Bank Loan facilities of ACP Industries Limited (ACPIL or “the company”):

Facility	Limits (₹ Cr)	Tenure	Rating <sup>1</sup>
<b>Fund Based:</b> Cash Credit	<b>8.50</b>	<b>Long Term</b>	<b>BWR B</b> (Pronounced as BWR Single B) <b>Outlook: Stable</b>
<b>Total</b>	<b>8.50</b>	<b>INR Eight Crores Fifty Lakhs only</b>	

BWR has essentially relied upon the audited financial results of ACPIL up to FY14, provisional financial statements of FY15, projected financial statements up to FY17 and information/clarifications provided by the management of the company.

The rating draws strength from the experience of the promoters, long track record of operations and substantial revenue growth in FY15. However, the rating is constrained by declining profitability, high reliance on the parent company for manufacturing revenues, relatively low tangible net worth and significant investments in unrelated businesses.

#### Background:

ACPIL was incorporated in 1995 at Eluru, West Godavari District. The promoters of the company are Mr A Vajrambica Prasad, Mr Rajeswara Rao and Mr Alapati Ramanjaneyulu. Mr Vajrambica Prasad is the Managing Director of the company.

#### Business Operations:

ACPIL manufactures hand rolled Durbar Bathis for its group company Ambica Agarbathies Aroma & Industries Limited (AAAIL). In FY14, ACPIL has also commenced trading of rice. The sole customer for the rice is a public sector organisation based in Sri Lanka.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

**Financial Performance:**

As per provisional financial statements for FY15, ACPIL reported Total Operating Income of Rs.190.98 Cr, Operating Profit before Depreciation, Interest & Tax (OPBDIT) of Rs.5.68 Cr and Profit after Tax (PAT) of Rs.1.78 Cr as against Total Operating Income of Rs.46.89 Cr, OPBDIT of Rs.2.41 Cr and PAT of Rs.0.19 Cr in FY14.

**Rating Outlook:**

The outlook for the company is expected to be stable for the next one year. Going forward, the ability of the company to sustain the current level of operations, improve profitability and capital structure, diversify its customer base, reduce investments in unrelated businesses and improve the quality of financial reporting will be the key rating sensitivities.

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