

Rating Rationale

Asiatic Colour Chem Industries Ltd

19 July 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 60.00 Crores of Asiatic Colour Chem Industries Ltd. ('ACCIL' or 'The Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (March, 2018)	Present
Fund Based	51.10	37.00	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable ISSUER NOT COOPERATING	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable [Reaffirmed]
Non Fund Based	23.00	23.00	Short Term	BWR A3 (Pronounced as BWR A Three) ISSUER NOT COOPERATING	BWR A3 (Pronounced as BWR A Three) [Reaffirmed]
Total	74.10	60.00	Rupees Sixty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Long term and Short term rating reaffirmed.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial results of FY16 to FY18, provisional financial results of FY19, publicly available information and clarifications/information provided by the management.

The rating reaffirmation essentially captures the vast experience of the promoters in the line of activity, comfortable gearing, liquidity position, debt protection indicators and locational advantages. However, the rating is constrained by volatile raw material prices linked to the changes in crude oil prices, intense competition in the industry, exposure to foreign exchange risk to the extent of unhedged positions and working capital intensive nature of operations.

The ability of the company to improve the scale of operations and profitability, to manage foreign exchange risk, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.

Description of Key Rating Drivers:

Credit Strengths:

- Vast experience of promoters in leather dye industry.
- Established track record of operations.
- Well established client base and long term relationship with customers and suppliers.
- Gearing is at a comfortable level.
- Location advantages as the company is situated in chemical belt of Ahmedabad.
- Comfortable debt protection indicators.
- Comfortable liquidity position.

Credit risks:

- Volatile raw material prices linked to changes in crude oil prices.
- Intense competition in the industry.
- Exposure to the foreign exchange risk to the extent of unhedged positions.
- Working capital intensive nature of operations.

Liquidity position:

The liquidity position of the company is comfortable in FY19. The company has adequate bank facilities sanctioned to manage its operations.

Analytical Approach:

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Asiatic Colour Chem Industries Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company:

Incorporated in the year 1995, ACCIL is a closely-held public limited company. ACCIL is engaged in manufacturing and exports of Synthetic Organic (SO) Dyes (mainly Acid Dyes) which are primarily used in the leather industry. ACCIL also manufactures reactive dyes for textiles, on requests from clients. The Company's manufacturing unit and the corporate office are located in Ahmedabad. The company is a 100% export oriented unit. Currently it export is being made to Italy, Turkey, USA, Germany, Switzerland and other countries.

Company Financial Performance:

In FY19 (Provisional), the company has recorded a TOI of Rs. 225.25 Crs against a TOI of Rs. 193.31 Crs in FY18. The company has recorded a PAT of Rs. 3.18 Crs in FY19 (Provisional) against a PAT of Rs. 1.99 Crs in FY17.

Rating History for the last three years:

Sl. No.	Instrument /Facility	Current Rating (2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	22-Mar-2018	30-Dec-2016	13-Feb-2015
1	Fund Based	Long Term	37.00	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable [Reaffirmed]	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable ISSUER NOT COOPERATING	Rating Not Reviewed	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable
2	Non Fund Based	Short Term	23.00	BWR A3 (Pronounced as BWR A Three) [Reaffirmed]	BWR A3 (Pronounced as BWR A Three) ISSUER NOT COOPERATING	Rating Not Reviewed	BWR A3 (Pronounced as BWR A Three)
Total : Rs. 60.00 Crs (Rupees Sixty Crores Only)							

Status of non-cooperation with previous CRA:

ICRA on 24 June 2019 has revised the rating of Asiatic Colour Chem Industries Ltd to [ICRA] BB+ (Stable) & [ICRA] A4+ (ISSUER NOT COOPERATING) on account of non-cooperation from the issuer.

Any other information: - NA

Key Financial Indicators

Key Financial Figures			
Particulars	Unit	FY17 (Audited)	FY18 (Audited)
Operating Income	Rs. Crores	167.47	193.31
EBITDA	Rs. Crores	5.96	4.01
PAT	Rs. Crores	1.86	1.99
Tangible Net Worth	Rs. Crores	46.87	48.87
Total Debt	Rs. Crores	23.31	38.53
Total Debt : Equity	Times	0.50	0.79
Current Ratio	Times	1.89	1.49

Asiatic Colour Chem Industries Ltd

Annexure-I

Details of Bank Facilities

Facility	Tenure	Previous Limits (₹ Crs)	Present Limits (₹ Crs)
Cash Credit	Long Term	40.00	-
Cash Credit/(WCDL Sublimit)		-	(15.00)
EPC/PCFC (Sublimit of CC)		(20.00)	-
FBD/EBR (Sublimit of CC)		(21.00)	-
EPC/PCFC/FBD/EBR		-	33.00
Corporate Loan		2.10	-
Stand-by Line of Credit (SLC)		9.00	4.00
Total Fund Based Limit		51.10	37.00
Letter of Credit	Short Term	22.00	22.00
Bank Guarantee (Sublimit of LC)		(0.75)	(1.00)
Credit Exposure Limit		1.00	1.00
Non Total Fund Based Limit		23.00	23.00
TOTAL		74.10	60.00

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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