

Rating Report

Brickwork Ratings assigns 'BWR B' Rating for Bank Loan facilities aggregating to ₹ 8.50 Cr of ACP Industries Limited.

Brickwork Ratings (BWR) has assigned following **Ratings¹** for Bank Loan facilities of ACP Industries Limited (ACPIL or "the company"):

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

BWR has essentially relied upon the audited financial results of ACPIL upto FY14, provisional financial statements of FY15, projected financial statements upto 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 parent for manufacturing revenues, relatively low tangible networth 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 Lanka Satosha Limited, a Sri Lankan Public Sector company. ACPIL employs about 300 people.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

ACP INDUSTRIES LIMITED

Financial Performance:

As per provisional financial statements of ACPIL, Total Operating Income increased from Rs. 46.89 Crs in FY14 to Rs. 190.98 Crs in FY15. Operating profit margin declined from 5.15% in FY14 to 2.97% in FY15. However, Net Profit Margin has increased from 0.40% to 0.93% in FY15. Cash Conversion cycle has significantly improved from 130 days to 29 days in FY15 due to higher Cost of Goods Sold on account of rice trading. Interest Coverage Ratio was healthy at 2.08 times in FY15. Current Ratio in FY15 was 1.36 times however liquidity is stretched as seen in high utilisation of working capital limits. As on 31st March 2015, Tangible Networth stood at Rs. 6.97 Crs and Debt Equity Ratio was 3.39 times. Key Financial Parameters are detailed in Annexures I, II and III.

Credit Risk Determinants:

- The promoters are well experienced in the Agarbathi Industry
- ACPIL has a long track record of operations
- Due to rice exports to Sri Lanka ACPIL's revenue increased by ~300% in FY15
- There is a declining trend in operating profit margins since FY12, however net profit margins improved due to absence of 'Chit Losses' in FY15
- There has been high utilisation levels in the Company's cash credit account indicating stretched liquidity position
- The company has investments in companies that are operating in unrelated businesses

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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Annexure I: Summary of the Profit & Loss Account

Crores	FY12	FY13	FY14	FY15
Result Type	Audited	Audited	Audited	Prov.
Gross Sales	37.00	43.69	46.89	190.98
Net Sales	37.00	43.69	46.89	190.98
Total Operating Income	37.02	43.69	46.89	190.98
Operating Expenses	33.79	40.18	44.48	185.30
OPBDIT	3.23	3.51	2.41	5.68
Depreciation	0.27	0.29	0.39	0.44
OPBIT	2.96	3.22	2.02	5.25
Interest and Finance Charges	2.60	2.82	1.49	2.73
OPBT	0.36	0.39	0.54	2.51
Non Operating Income(Expenses)	0.07	-0.19	-0.24	0.04
PBT	0.43	0.20	0.30	2.56
Provision for Taxes	0.23	0.06	0.11	0.78
PAT	0.19	0.14	0.19	1.78

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Annexure II: Summary of the Balance Sheet

Crores	FY12	FY13	FY14	FY15
Result Type	Audited	Audited	Audited	Prov.
LIABILITIES				
EQUITY AND RESERVES	4.87	5.01	5.20	6.97
Share capital	2.00	2.00	2.00	2.00
Reserves and Surplus	2.87	3.01	3.20	4.97
Non-current liabilities	24.82	24.73	34.03	13.91
Long-Term Borrowings	24.20	24.07	33.30	13.10
Deferred tax Liabilities (Net)	0.61	0.66	0.73	0.81
Other Long Term liabilities	0.00	0.00	0.00	0.00
Current liabilities	17.67	22.87	13.41	15.81
Short-Term Borrowings	7.11	7.16	8.15	9.65
CPLTD	1.14	0.66	0.84	0.86
Trade Payables	1.41	3.10	2.13	3.52
Other Current Liabilities	7.16	11.13	1.62	0.71
Short-Term Provisions	0.85	0.81	0.67	1.06
Total Liabilities	47.36	52.60	52.64	36.68
ASSETS				
Non-current assets	36.20	36.03	30.37	15.21
Net Fixed assets	4.29	6.17	7.04	7.95
Capital Work-In-Progress	1.74	0.20	0.00	0.00
Non Current Investments	2.61	2.73	2.80	2.63
Long Term Loans and Advances	27.56	26.94	20.53	4.63
Current assets	11.16	16.57	22.27	21.47
Current Investments	4.27	4.26	4.26	4.29
Inventories	6.01	10.83	17.31	16.17
Trade Receivables < Six Months	0.19	0.00	0.00	0.00
Cash and Cash Equivalents	0.40	1.01	0.27	0.71
Short-Term Loans and Advances	0.30	0.36	0.28	0.01
Other Current Assets	0.00	0.10	0.14	0.29
Total Assets	47.36	52.60	52.64	36.68

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Annexure III: Key Ratios

Key Ratios	Unit	FY12	FY13	FY14	FY15
Result Type		Audited	Audited	Audited	Prov.
Tangible Net Worth	Rs. Crs.	10.96	5.01	5.20	6.97
Total Debt/TNW	Times	2.96	6.37	8.14	3.39
TOL/TNW	Times	1.43	5.12	3.01	2.45
ISCR	Times	1.24	1.24	1.62	2.08
DSCR	Times	1.18	0.82	0.96	1.38
Net Cash Accruals/Total Debt	Times	0.02	0.02	0.02	0.10
Net Profit Margin	%	0.52	0.32	0.40	0.93
Operating Profit Margin	%	8.74	8.03	5.15	2.97
ROCE	%	6.72	7.88	4.72	13.18
Current Ratio	Times	0.96	0.72	1.66	1.36
Days Receivables	Days	2	1	0	0
Days Inventory	Days	83	96	154	35
Days Payable	Days	21	23	25	6
Conversion Cycle	Days	64	74	130	29