

Asiatic Colour Chem Industries Limited

Instrument	Amount (Rs. In Crore)	Rating Action
Term loan	1.55	[ICRA]BBB-(Stable); Assigned
Cash Credit	40.00	[ICRA]BBB-(Stable); Assigned
FBD/EBR*	(21.00)	[ICRA]BBB-(Stable); Assigned
EPC/PCFC*	(20.00)	[ICRA]BBB-(Stable); Assigned
SLC	9.00	[ICRA]BBB-(Stable); Assigned
Letter of Credit	22.00	[ICRA]A3; Assigned
Bank Guarantee [#]	(1.00)	[ICRA]A3; Assigned
Credit Exposure	1.00	[ICRA]A3; Assigned

*Sublimit of Cash Credit; # Sublimit of Letter of Credit

ICRA has assigned an [ICRA]BBB- (pronounced ICRA triple B minus) rating to the Rs. 1.55 crore¹ term loan and Rs. 49.00 crore fund based working capital facilities of Asiatic Colour Chem Industries Limited (ACCIL)². The outlook on the long term rating is "stable". ICRA has also assigned an [ICRA]A3 (pronounced ICRA A three) rating to the Rs. 23.00 crore short term non fund based facilities of ACCIL.

The assigned ratings favourably factor in the established track record of the company in the dye manufacturing segment and moderate brand visibility in the leather dyes segment in the international market and long relationship with its major clients. The company mainly caters to the international market with top ten customers contributing about 26.0% of its total revenue during FY2015-16. The ratings also incorporate the comfortable capital structure of the company, characterised by a low gearing of 0.5 times for FY2015-16, on account of healthy net worth position, along with steady accruals over the years. Despite a decline in turnover during the last two fiscals, the company' capacity utilisation levels (~90% in FY2015-16) remain healthy.

The ratings, however, are constrained by the modest operating margins of the company and susceptibility of margins to volatility in the prices of the key raw materials for the industry. H Acid (Hyaluronic Acid), the key raw material, has witnessed a sudden increase in prices, which has led to substantial increase in raw material cost, wherein the company curbed production at a higher cost. Additionally, a surge in prices of the final products i.e. dyes, had also restrained the demand from end users. As a result the operating income of the company had dropped during FY2014-15 by ~12.7% to that of Rs. 235.2 crore from Rs. 269.3 crore, in FY2013-14 - a decline in volumes by 29.6%. The ratings also take into account the working capital intensive nature of the operations, as seen from the high working capital intensity of ~32.7% during the past two fiscals.

ACCIL's ability to increase the scale of its operations with a diversified product profile, susceptibility towards environmental regulatory risks due to the tightening environmental standards on release of pollutants, ability to achieve marginal growth in operating income, in addition to improving its profitability by successfully managing raw material prices and foreign exchange rate fluctuations, efficiently managing its working capital, and recording an improvement in debtors' realisations remain the key rating sensitivities.

Company Profile

ACCIL, a Gujarat-based player, incorporated in January 1995, is a closely-held public limited company promoted by Mr. Mahesh K Agrawal. It manufactures and exports synthetic organic dyes (mainly acid dyes) mainly used in the leather industry. ACCIL operates from its sole manufacturing facility located at Ahmedabad, where it has an installed manufacturing capacity of 7,500 metric tonne per annum (MTPA) of S. O. Dyes as on March 31, 2016.

ACCIL promoters are also associated with other group concerns i.e. Adorn Speciality Polymers Pvt Ltd. and Orio Shanghai Colours Pvt Ltd. which also manufacture dyes. Apart from this, the promoters are also associated with another company - namely Asiatic Composite Ltd., which manufactures and supplies composite products for transportation, sport, chemical, railways and infrastructure sectors.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



Recent Results

During FY2014-15, the company reported profit after taxes of Rs. 1.8 crore on an operating income of Rs. 235.2 crore. Further during FY2015-16 as per provisional unaudited results, the company reported profit before taxes of Rs. 3.5 crore on an operating income of Rs. 182.8 crore.

May 2016

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