April 11, 2022

Acrysil Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Cash Credit/Working Capital Limits	82.00	82.00	[ICRA]A(Stable); Outstanding
Fund-based Interchangeable Limit	(82.00)#	(82.00)#	[ICRA]A(Stable); Outstanding
Fund-based Term Loan	49.31	49.31	[ICRA]A(Stable); Outstanding
Non-fund Based Letter of Credit	10.00	10.00	[ICRA]A2+; Outstanding
Non-fund Based Stand by Line of Credit	(10.00)#	(10.00)#	[ICRA]A2+; Outstanding
Non-fund Based Bank Guarantee	(25.00)#	(25.00)#	[ICRA]A2+; Outstanding
Total	**141.31**	**141.31**	

**Instrument details are provided in Annexure-1*

#WCDL of Rs. 67.0 crore, Export Credit/BC/ULC/SLC/CC/BD of Rs. 82.0 crore, FBD/FBN/FBP of Rs. 25.0 crore, Bank Guarantee of Rs. 25.0 crore

Rationale

Material Event

On April 01, 2022, Acrysil Limited (AL) had disclosed on BSE website that Acrysil UK Limited (wholly-owned subsidiary of AL) has agreed to acquire 100% shares of Tickford Orange Limited (TOL), UK, along with its wholly-owned operating subsidiary, Sylmar Technology Limited (STL).

Impact of Material Event

ICRA has noted the above event and the rating remains unchanged at the earlier ratings outstanding at [ICRA]A (pronounced ICRA A) and [ICRA]A2+ (pronounced ICRA A two plus) on the Rs. 141.31-crore bank facilities of AL.

As per the announcement, the acquisition consideration of GBP 11 million will be paid in cash. Further, ICRA is made to understand that the acquisition will be majorly debt-funded and the debt will be raised at AL's UK subsidiary level and the payment for the consideration will be in three tranches starting from FY2023 till FY2025. Though the acquisition is majorly debt-funded, given the staggered nature of payment along with long tenor debt repayment terms with additional buffer of moratorium, it is expected to support the credit profile, going forward. Also, given the acquired entity being profitable, it is also expected to support the repayment along with AL's UK subsidiary, where the debt is being housed. Hence the repayment of loan is expected to be taken care by its UK operations in entirety, without any support from the parent entity in India. ICRA expects the coverage numbers at a consolidated level to moderate in FY2023 over FY2022 due to this debt-funded acquisition, however, the same is expected to improve from FY2024 as synergy from the acquisition will start to flow. However, ICRA will continue to monitor the developments on this front and will access the credit profile as and when exact impact on the consolidated profile is ascertained.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, liquidity position and rating sensitivities: [Click here]

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of AL, along with its subsidiary, Acrysil Steel Limited, Sternhagen Bath Private Limited, Acrysil GmbH, Germany, Acrysil Appliances Limited, Acrysil UK Limited and Acrysil Products Limited, UK (step-down subsidiary).

About the company

Acrysil Limited was incorporated in 1987 by a first-generation promoter, Mr. Ashwin Parekh. It manufactures granite-based kitchen sinks, also known as 'Composite Quartz Sinks'. The company has a technical collaboration with the German entity, Schock & Co., which is a leading decorative mouldings company in the world. The registered office of the company is in Mumbai and its manufacturing plant is at Bhavnagar, Gujarat, which is ISO: 9001:2008 certified. At present, the unit has a total installed manufacturing capacity of 8,40,000 sinks per annum, which is to be enhanced to 12,00,000 sinks per annum by Q2 FY2023. The Group also manufactures stainless steel kitchen sinks mainly for the domestic market, through Acrysil Steel Limited, wherein AL holds ~85% stake. AL holds 100% stake in Acrysil Gmbh, Germany, and Acrysil UK Limited. Acrysil Products Limited is a step-down subsidiary of AL, which helped it to enter the UK market. On April 30, 2020, the company also incorporated a wholly-owned subsidiary, Acrysil USA, Inc., for expansion and deeper penetration into the US market.

Key financial indicators (Consolidated)

	FY2020 (Audited)	**FY2021** (Audited)	**9MFY22** (Un-Audited)
Operating Income (Rs. crore)	276.2	309.7	344.98
PAT (Rs. crore)	22.9	39.3	48.71
OPBDIT/OI (%)	17.2%	21.6%	21.78%
PAT/OI (%)	8.3%	12.7%	14.12%
Total Outside Liabilities/Tangible Net Worth (times)	0.9	0.9	-
Total Debt/OPBDIT (times)	2.1	1.5	-
Interest Coverage (times)	4.8	8.0	12.17

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of September 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					April 11, 2022	Nov 19, 2021	Sep 09, 2020	Sep 10, 2019
1	Fund-based Cash Credit/Working Capital Limits	Long Term	82.00	-	[ICRA]A(Stable)	[ICRA]A(Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)
2	Fund based Interchangeable Limit	Long Term	(82.00)#	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	-
3	Fund-based Term Loan	Long Term	49.31	30.36	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)
4	Non-Fund based Letter of Credit	Short Term	10.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2
5	Non-Fund based Stand by Line of Credit	Short Term	(10.00)#	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
6	Non-Fund based bank Guarantee	Short Term	(25.00)#	-	[ICRA]A2+	[ICRA]A2+	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based Cash Credit/Working Capital Limits	Simple
Fund based Interchangeable Limit	Not Applicable
Fund-based Term Loan	Simple
Non-Fund based Letter of Credit	Very Simple
Non-Fund based Stand by Line of Credit (Interchangeable Limit)	Not applicable
Non-Fund based bank Guarantee (Interchangeable Limit)	Not applicable
Unallocated Limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund-based Cash Credit/Working Capital Limits	NA	NA	NA	82.00	[ICRA]A(Stable)
NA	Fund based Interchangeable Limit	NA	NA	NA	(82.00)#	[ICRA]A(Stable)
NA	Fund-based Term Loan	FY2014	NA	FY2026	49.31	[ICRA]A(Stable)
NA	Non-Fund based Letter of Credit	NA	NA	NA	10.00	[ICRA]A2+
NA	Non-Fund based Stand by Line of Credit	NA	NA	NA	(10.00)#	[ICRA]A2+
NA	Non-Fund based bank Guarantee	NA	NA	NA	(25.00)#	[ICRA]A2+

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Acrysil Steel Limited	85.00%	Full Consolidation
Acrysil Appliances Limited	100.00%	Full Consolidation
Stern Hagen Pvt. Limited	84.90%	Full Consolidation
Acrysil Gmbh, Germany	100%	Full Consolidation
Acrysil UK Limited	100%	Full Consolidation
Acrysil USA INC	100%	Full Consolidation

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 9884086366
ksrikumar@icraindia.com

Suprio Banerjee
+91 9820244979
supriob@icraindia.com

Ruchi Shah
+91 79 4027 1500
ruchi.shah@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches