

## Addica Industries LLP

June 12, 2018

### Summary of rated instruments

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	10.20	[ICRA]B+ (Stable); Assigned
Fund-based Working Capital Facilities	12.00	[ICRA]B+ (Stable); Assigned
Non-fund based Bank Guarantee	0.55	[ICRA]A4; Assigned
<b>Total</b>	<b>22.75</b>	

### Rating action

ICRA has assigned the long-term rating of [ICRA]B+ (pronounced ICRA B plus) to the Rs. 10.20-crore<sup>1</sup> term loan facility and the Rs. 12.00-crore cash credit facility of Addica Industries LLP (Addica Industries or the firm)<sup>2</sup>. ICRA has also assigned the short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 0.55-crore non-fund based bank facilities of Addica Industries. The outlook on the long-term rating is Stable.

### Rationale

The ratings remain constrained by the risks associated with the stabilisation of the plant as per the expected operating parameters. The assigned ratings also take into account the firm's financial risk profile, which is expected to remain moderate in the near term, given the debt-funded nature of the project and the impending debt repayments. The ratings are also constrained by the high industry competition and the vulnerability of the firm's profitability to adverse movements of key raw material prices.

The assigned ratings, however, favourably factor in the experience of the key promoters in the plastic industry and the favourable demand outlook for the domestic flex banner sector owing to the extension of the anti-dumping duty on the import of Poly Vinyl Chloride (PVC) flex from China (till July 2021) by the Government of India.

### Outlook: Stable

ICRA believes that Addica Industries will benefit from the experience of its promoters in the plastic industry. The outlook may be revised to Positive if timely implementation and stabilisation of operations lead to higher cash accrual during the initial phase. The outlook may be revised to Negative if delayed project implementation, and/or slower ramp-up in sales and accrual, or sizeable working capital requirement, weakens the financial risk profile, especially liquidity.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Key rating drivers

### Credit strengths

**Experience of promoters in plastic industry** - The key promoters, Mr. Pareshbhai Moradiya, Mr. Mehulbhai Boraniya, Mr. Dushyantbhai Aghara and Mr. Jitendra Kavar, have experience in the plastic industry through their association with other entities in the same industry. This experience will be helpful for the firm as it starts manufacturing PVC flex banner.

**Regulatory support through anti-dumping duty on imports** - The extension of the anti-dumping duty by the Government of India on the import of PVC flex from China in August 2016 for another five years is likely to support the firm's business prospects in the near term.

### Credit challenges

**Risks associated with stabilisation and successful scale up of operations** - Being in a nascent stage, with the unit yet to become fully operational (expected from April 2019), the firm remains exposed to risks associated with stabilisation and successful scale up of the plant's operations as per the expected parameters. The timely commissioning of operations without any significant cost over-runs would remain a key rating sensitivity.

**Moderate financial risk profile** – The firm's financial profile is expected to remain moderate in the near term given the debt-funded nature of the project and the impending debt repayments, with an estimated gearing of 2.08 times and Total Debt/OPBDITA of 5.32 times for FY2020.

**High competition** - The industry competition remains high because of low capital intensity and limited entry barriers. The firm faces competition from the already established players and also relatively newer players in both organised and unorganised segment of the domestic market.

**Profitability to remain susceptible to volatility in raw material prices and change in anti-dumping duty structure** - The key raw materials used in the manufacturing of PVC flex are PVC resin, plasticisers and pigments among others. Most of these are crude-based derivatives and hence the firm's profitability remains exposed to adverse fluctuations in crude oil prices. Further, its profitability also remains susceptible to any changes in the anti-dumping duty structure on the import of flex banner from China.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

#### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

### About the firm:

Incorporated in January 2018, Addica Industries LLP is a limited liability partnership firm promoted by Mr. Pareshbhai P. Moradiya, Mr. Mehulbhai M. Boraniya, Mr. Dushyantbhai B. Aghara and Mr. Jitendra R. Kavar along with 47 other partners. The firm plans to manufacture flex banner, which is used for indoor/outdoor advertisement. The firm will manufacture both front lit (lights pointing at the front of the banner) and back lit (translucent material; lights pointing at the back) banners.

**Key financial indicators (audited):** Since Addica Industries LLP is at the project stage, its audited key financial indicators are unavailable.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for last three years:**

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating June 2018	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1	Term Loan	10.20	0.00 <sup>^</sup>	[ICRA]B+ (Stable)	-	-	-
2	Cash Credit	12.00		[ICRA]B+ (Stable)	-	-	-
3	Bank Guarantee	0.55		[ICRA]A4	-	-	-

<sup>^</sup> No disbursement till date

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2019	-	FY2025	10.20	[ICRA]B+ (Stable)
NA	Cash Credit	-	-	-	12.00	[ICRA]B+ (Stable)
NA	Bank Guarantee	-	-	-	0.55	[ICRA]A4

Source: Addica Industries LLP

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