

American Precoat Speciality Private Limited

April 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	40.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB-; Stable; (Triple B Minus; Outlook: Stable)
Short Term Bank Facilities	35.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A3; (A Three)
Total Bank Facilities	75.00 (Rs. Seventy-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from American Precoat Speciality Private Limited (APSPL) to monitor the ratings vide e-mail communications dated March 10, 2022, March 15, 2022, and March 23, 2022. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on American Precoat Speciality Private Ltd.'s bank facilities will now be denoted as **CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

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The ratings factors in non-cooperation by APSPL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on December 20, 2021, the following were the rating strengths and weaknesses:

Detailed description of the key rating drivers

Key Rating Weaknesses

Concentrated supplier base and low bargaining power: The company is highly dependent on few suppliers for its raw material requirement as reflected by top 5 suppliers constituting 74.18% of total purchases in FY21 (PY: 46.41%). Moreover, its suppliers are well established companies such as Arcelor Mittal Nippon Steel Limited, Hindustan Zinc Limited and Tata Steel BSL Limited (rated CARE AA; Stable/CARE A1+) which limits its bargaining power.

Raw material price fluctuation risk: APSPL primarily manufactures packaging and coatings, speciality materials, and lining and sealing systems wherein the raw material required for manufacturing are solvents, polymer, solution, pigments, CRFH (Cold rolled full hard) coil, and Zinc. Polymers, Solvents, solution and pigments are mostly crude oil derivatives and are subject to volatility in crude oil prices. Further, the raw material costs accounted for ~88%-93% of the total cost of sales for the period FY19-FY21.

²Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Susceptibility to foreign exchange: Exports constituted ~1% of total operating income in FY21 (Provisional) while imports were to the tune of ~Rs.15.00 crore during FY21. APSPL has not adopted any hedging policy and is dependent only on natural hedge to the extent it imports raw material and exports its products. The company has not reported any gain or loss due to foreign currency fluctuation for the period FY19-FY21.

High competition: The Indian speciality chemicals industry is highly competitive with many regional players catering to local demand. Moreover, the industry is exposed to the likely development of alternative technologies and applications and the resulting product obsolescence. The prospects of APSPL will depend on its ability to consistently develop new products in the speciality chemicals segment.

Key Rating Strengths

Highly qualified and experienced promoter: APSPL was founded by Dr. Shubh Gautam (Chief technical Architect) in 2005. He is a B.Tech from I.I.T. (Indian Institute of Technology) Kharagpur and an alumni of I.I.M. (Indian Institute of Management) Ahmedabad, and has been looking after the innovations and scientific developments in the company for the past 16 years. He is assisted by Ms. Sharmistha Sharma (Director) and Mrs. Shradha Ganguly (Director) who are both post graduate by qualification and have an overall work experience of more than 25 years. The management of the company is well supported by a research team comprising of I.I.T. professors. There has been consistent funding support from the promoter i.e. Dr. Shubh Gautam in the form of unsecured loans which stood at Rs.65.72 crores as on March 31, 2021.

Growing albeit moderate scale of operations: APSPL derived ~60%-65% of its total revenue for the period FY19-FY21 (refers to the period from April 01, 2018 to March 31, 2021) from sale of patented products namely plastic closure cap, closure cap for containers, liner for plastic closures, and polyester coating. The scale of operations of the company although medium, have grown at a CAGR (compounded annual growth rate) of 20.72% for the period FY20-FY21 (refers to the period from April 01, 2019 to March 31, 2021) driven by volume growth. The PBILDT margin of the company improved from 11.55% in FY20 (refers to the period from April 01, 2019 to March 31, 2020) to 15.77% in FY21 (Provisional) on account of various reasons including decrease in travelling expenses (limited foreign travel expenses in FY21 due to covid-19) and decrease in wages due to automation of the manufacturing process. The same led to improvement in the PAT margin from 5.18% in FY20 to 8.60% in FY21(Provisional).

Reputed albeit concentrated customer base: APSPL has a reputed customer base across 4 major business verticals: food and beverage, speciality chemicals, advance material and consumer durable. The company's clients include several established metal companies such as Arcelor Mittal Nippon Steel Limited, Tata Steel BSL Limited (rated CARE AA; Stable/CARE A1+) and food and beverage company such as Varun Beverages Limited. Further, some of company's shadow customers are brands like Coca-Cola, Heineken etc. The customer base is concentrated as reflected by top 5 customers contributing 76.35% of total sales in FY21 (PY: 66.03%). However, the same is mitigated by the fact that the company has been associated with its reputed clients for the past ~8 years-10 years.

Comfortable financial risk profile: The overall gearing of the company has improved from 1.50x as on March 31, 2020 to 0.93x as on March 31, 2021 (Provisional) on account of accretion of profits to net-worth and lower working capital borrowings outstanding as on balance sheet. The debt profile of the company as on March 31, 2021 (Provisional) comprised of unsecured loan from the promoter to the tune of Rs.65.72 crore, L.C. acceptances to the tune of Rs.26.55 crore, working capital borrowings amounting to Rs.8.47 crores and term loan of Rs.4.00 crore. Unsecured loan from the promoter is interest-free and has no defined repayment structure. Debt coverage indicators of the company remained healthy as reflected by the PBILDT interest coverage ratio of 16.10x (PY: 4.78x) and total debt/GCA of 3.52x (PY: 6.81x) in FY21 (Provisional).

Efficient operating cycle: The operating cycle of the company stood comfortable at 7 days in FY21 (Provisional) against 26 days in FY20. The improvement in operating in cycle during FY21 was due to improvement in collection period of the company from 62 days in FY20 to 25 days in FY21 (Provisional) on account of company taking ~15% of the total sales amount in advance during FY21. The company maintains inventory for the period of ~58 days-75 days. On the supplier side, the company gets a credit period up to 90 days. The average working capital utilization of the company stood low at 13.05% for the trailing 12 months ended June, 2021.

Industry Prospects: The Indian speciality chemicals industry is on the rise driven by consumption growth and export opportunity. Further, some of the favourable scenarios emerging for the Indian speciality chemical segment are domestic availability of petrochemical intermediates, increasing capital expenditure incurred for expanding portfolio of value

added/customized products, backward integration and increasing R&D spends to enter into new age products and new chemistry. The prospects of APSPL shall be governed by its ability to consistently augment sales from high profit yielding patented products. Furthermore, new, and innovative products in speciality chemicals segment without any adverse impact on the capital structure or liquidity of the company shall remain crucial.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

APSPL was incorporated in 2005, under the name Sriram Compounds Private Limited. The name was changed to "American Precoat Speciality Private Limited" in 2017 with the aim to establish a global presence. The company is into manufacturing of speciality chemicals such as lining and sealing system, packaging and coatings, surface property extender etc. which cater to diverse industries such as pre-coated metal, food and beverage, consumer durable etc. The company has an installed manufacturing capacity of 50,000 MTPA as on March 31, 2021 with manufacturing facilities located in Noida (Uttar Pradesh) and Valsad (Gujarat). The company derived ~60%-65% of its total revenue for the period FY19-FY21 from sale of patented products.

Brief Financials (Rs. crore)	FY20 (A)	FY21(P)	Q1FY22 (P)
Total operating income	192.76	263.74	53.90
PBILDT	22.27	41.58	9.11
PAT	9.98	22.68	4.13
Overall gearing (times)	1.50	0.93	0.97
Interest coverage (times)	4.78	16.10	33.74

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC		-	-	-	35.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned

						in 2020-2021	in 2019-2020	in 2018-2019
1	Non-fund-based - ST-BG/LC	ST	35.00	CARE A4+; ISSUER NOT COOPERATING *	1)CARE A3; ISSUER NOT COOPERATING * (20-Dec-21) 2)CARE A2 (20-Aug-21)	-	-	-
2	Fund-based - LT-Cash Credit	LT	40.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	1)CARE BBB-; Stable; ISSUER NOT COOPERATING * (20-Dec-21) 2)CARE BBB+; Stable (20-Aug-21)	-	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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