

Accent Microcell Limited

April 03, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---|--------------------------------|-----------------------------|-----------------------|
| Long Term Bank Facilities | 8.38 (Enhanced from 6.14) | CARE BBB; Stable | Reaffirmed |
| Long Term / Short Term Bank Facilities | 20.50 (Enhanced from 10.05) | CARE BBB; Stable / CARE A3+ | Reaffirmed |
| Long Term / Short Term Bank Facilities [^] | 0.50 | CARE BBB; Stable / CARE A3+ | Revised from CARE A3+ |
| Short Term Bank Facilities | 4.50 | CARE A3+ | Assigned |
| Short Term Bank Facilities | 11.00 | CARE A3+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.

[^]Facilities reclassified from Short Term to Long Term / Short Term

Rationale and key rating drivers

The reaffirmation in ratings assigned to the bank facilities of Accent Microcell Limited (AML) continue to derive strength from consistent growth in its scale of operations albeit remained moderate and stable profitability during FY22 (Audited; refers to the period April 01 to March 31) and 11MFY23 (Provisional; refers to the period April 01 to February 28) along with its comfortable capital structure and debt coverage indicators. The ratings further continue to derive strength from extensive experience of promoters with certified manufacturing facility and marketing network along with moderately diversified and reputed clientele. The above strengths are however, constrained by susceptibility of its profit margins to raw material price and foreign exchange fluctuations with its presence in highly competitive pharmaceutical industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Steady growth in scale of operations marked by total operating income (TOI) to above Rs.225 crore with maintaining current PBILDT margins
- Improvement in overall gearing to below 0.5x along with maintaining current debt coverage indicators on sustained basis

Negative factors

- Decline in TOI and PBILDT by more than 40%
- Deterioration in debt coverage indicators with total debt to gross cash accruals (TDGCA) of 4 years and overall gearing over 1.25x
- Elongation in operating cycle by more than 75 days on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The entity is expected to sustain its comfortable financial risk profile with healthy cashflows from operations while moderate operating cycle and negligible term debt repayment shall support its liquidity profile.

Key strengths

Extensive experience of promoters with certified manufacturing facility

The key promoters of AML, Mr Ghanshyam Patel, Mr. Nitin Patel, Mr. Vasant Patel and Mr. Vinod Patel, have vast experience of more than 20 years in manufacturing of Micro Crystalline Cellulose (MCC) & other cellulose powders. AML operates from its two manufacturing facilities located at Pirana and Dahej at Gujarat, which are ISO 9001:2015, FSSC 22000, Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Points (HACCP) certified. Pirana plant was established during 2012, while Dahej plant was established as a Special Economic Zone (SEZ) unit during FY15 and enjoys the benefits available in terms of various exemptions and deductions in direct and indirect tax payments. Its key products are also US-DMF, Kosher & Halal certified.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Consistent growth in scale of operation in FY22 and 11MFY23 with stable profitability margins

The TOI of AML has improved by ~24% y-o-y, albeit remained moderate at Rs.173.33 crore during FY22 (vis-à-vis Rs. 139.68 crore in FY21), led by higher realization and volume growth. AML's TOI for 11MFY23 (period April 1, 2022 to February 28, 2023) further improved to Rs.183.58 crore surpassing FY22 revenue. The PBILDT margins remained largely stable in FY22 and 11MFY23, at 9.69% in FY22 as compared to 10% in FY21, while for 11MFY23 it reported 10.32%.

Comfortable capital structure and debt coverage indicators

The overall gearing improved marginally and remained at 0.91 times as on March 31, 2022 (vis-à-vis 1.16 times as on March 31, 2021) owing to improved tangible net worth on account of accretion of profits to reserves coupled with lower total debt due to repayment of USL during FY22. It further improved to 0.64 times as on February 28, 2023. Furthermore, TDGCA has improved to 2.77 years as on March 31, 2022 (vis-à-vis 3.70 years as on March 31, 2021) on account of increase in the GCA together with reduced debt. The interest coverage ratio improved and continued to remain comfortable at 5.60 times during FY22 (vis-à-vis 4.29 times during FY21) primarily on account of increase in PBILDT level coupled with reduction in interest expenses. Debt coverage indicators remained comfortable marked by interest coverage of ~10 times and TDGCA of 1.93 times as on February 28, 2023.

Reputed and moderately diversified clientele with established marketing network

The long-standing industry experience of promoters has led to association with reputed clientele base from pharmaceutical, nutraceutical and cosmetic industries. The company's products i.e. excipients are largely used in pharmaceutical industries as 'Binding Agent' for the manufacturing of medicine tablets. The company has dedicated in-house business development team which takes care of its export operations. Currently, AML sells domestically as well as exports mainly to U.S.A., Australia, U.K., and Russia and export contributed about 66.21% of TOI during FY22 (vis-à-vis 63.70% in FY21). Thus, geographical concentration risk is mitigated to a certain extent. The customer profile includes reputed clientele and remained moderately diversified as marked by a contribution of top 5 customers of around 23.82% of Net sales during FY22 (vis-à-vis of around 32.33% in FY21).

Key weaknesses**Susceptibility of profit margins to raw material price and foreign exchange rate fluctuation**

The main raw material required by the company is wood pulp and therefore any changes in prices of wood pulp may adversely affect the profit margins of the company. The ability of the company to pass on the increase in prices to end users would be crucial. Further, the company is dealing with import of raw material and export sales; therefore, AML is exposed to the fluctuations in foreign exchange in absence of active hedging policy.

Presence in highly competitive pharmaceutical industry

MCC market is fairly fragmented owing to presence of large number of industry manufacturers which include both organized as well as unorganized players. All these major players in this business have vast experience with strong presence along with established supplier-distribution network.

Liquidity: Adequate

The liquidity indicators of AML further improved and remained adequate marked by operating cycle at 62 days during FY22 (64 days during FY21), while the average fund-based working capital limits utilization during past twelve months ended February, 2023 remained moderate at 65%. Cash and bank balance remained moderate at Rs.1.09 crore as on March 31, 2022. Against a comfortable GCA level of Rs.12.20 crore in FY22; principal debt repayments remained at Rs.2.84 crore during FY23. Current ratio remained at 1.28 times as on March 31, 2022 (as compared with 1.52 times as on March 31, 2021).

Applicable criteria

[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](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry Classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|-----------|----------------------------|---------------------|
| Commodities | Chemicals | Chemicals & Petrochemicals | Commodity Chemicals |

Ahmedabad-based (Gujarat), AML was promoted by Mr Ghanshyam Patel and Mr Vasant Patel. The company was established as partnership firm during 2002 in the name of 'Accent Microcell Industries' and subsequently got converted into private limited company during April 2012 by the name of Accent Microcell Private Limited. Later during December 2022, company got converted into closely held public limited company. The company is engaged into manufacturing of Micro Crystalline Cellulose (MCC) & other excipient powders like Croscarmellose Sodium and Magnesium Stearate. The products manufactured by AML are largely used in pharmaceutical industry as a bulking agent, binding and coating agent etc.; while it is also used in food industry, nutraceutical industry, cosmetics etc. as a fat substitute, filler, disintegrant, flow aid etc. Its manufacturing facilities are located at Pirana and Dahej in Gujarat and the same are ISO 9001:2015, FSSC 22000, GMP and HACCP certified. Its key products also hold US-DMF, Kosher & Halal certifications. The company operates with an installed capacity of 6,000 metric tonnes per annum (MTPA) from its Dahej Plant and 1540 MTPA from its Pirana Plant as on March 31, 2022.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | 11MFY23 (Prov.) |
|----------------------------|--------------------|--------------------|-----------------|
| Total operating income | 139.68 | 173.33 | 183.58 |
| PBILDT | 13.97 | 16.79 | 18.95 |
| PAT | 6.21 | 8.22 | 11.33 |
| Overall gearing (times) | 1.16 | 0.91 | 0.64 |
| Interest coverage (times) | 4.29 | 5.60 | 10.46 |

A: Audited, Prov.: Provisional, Note: "Above financials are the latest financial results available"

Status of non-cooperation with previous CRA: Crisil has placed the rating assigned to the bank facilities of AML under 'Issuer Not Cooperating' category vide its press release dated August 12, 2022, on account of its inability to carry out a rating exercise in the absence of the requisite information from the company.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Term Loan | | - | - | 30/11/2027 | 8.38 | CARE BBB; Stable |
| Fund-based - LT/ ST-Cash Credit | | - | - | - | 20.50 | CARE BBB; Stable / CARE A3+ |
| Fund-based - ST-Bill Discounting/ Bills Purchasing | | - | - | - | 2.00 | CARE A3+ |
| Fund-based - ST-Forward Contract | | - | - | - | 2.50 | CARE A3+ |
| Non-fund-based - LT/ ST-Bank Guarantee | | - | - | - | 0.50 | CARE BBB; Stable / CARE A3+ |
| Non-fund-based - ST-Letter of credit | | - | - | - | 11.00 | CARE A3+ |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-----------------------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT/ ST-Cash Credit | LT/ST* | 20.50 | CARE BBB; Stable / CARE A3+ | - | 1)CARE BBB; Stable / CARE A3+ (04-Mar-22) | 1)CARE BBB; Stable / CARE A3+ (05-Mar-21) | 1)CARE BBB-; Stable / CARE A3 (31-Dec-19) |
| 2 | Non-fund-based - ST-Letter of credit | ST | 11.00 | CARE A3+ | - | 1)CARE A3+ (04-Mar-22) | 1)CARE A3+ (05-Mar-21) | 1)CARE A3 (31-Dec-19) |
| 3 | Non-fund-based - LT/ ST-Bank Guarantee | LT/ST* | 0.50 | CARE BBB; Stable / CARE A3+ | - | 1)CARE A3+ (04-Mar-22) | 1)CARE A3+ (05-Mar-21) | 1)CARE A3 (31-Dec-19) |
| 4 | Fund-based - LT-Term Loan | LT | 8.38 | CARE BBB; Stable | - | 1)CARE BBB; Stable (04-Mar-22) | 1)CARE BBB; Stable (05-Mar-21) | 1)CARE BBB-; Stable (31-Dec-19) |

| | | | | | | | | |
|---|---|----|------|-------------|--|-----|-----|-----|
| | | | | | | 22) | 21) | 19) |
| 5 | Fund-based - ST-Bill Discounting/ Bills Purchasing | ST | 2.00 | CARE A3+ | | | | |
| 6 | Fund-based - ST-Forward Contract | ST | 2.50 | CARE A3+ | | | | |

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - LT-Term Loan | Simple |
| 2 | Fund-based - LT/ ST-Cash Credit | Simple |
| 3 | Fund-based - ST-Bill Discounting/ Bills Purchasing | Simple |
| 4 | Fund-based - ST-Forward Contract | Simple |
| 5 | Non-fund-based - LT/ ST-Bank Guarantee | Simple |
| 6 | Non-fund-based - ST-Letter of credit | Simple |

Annexure-5: Lender details

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

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

Contact us

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About us:

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