

## Accent Microcell Limited

March 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	3.30 (Reduced from 8.38)	CARE BBB+; Stable	Revised from CARE BBB; Stable
Long Term / Short Term Bank Facilities	21.00	CARE BBB+; Stable / CARE A2	Revised from CARE BBB; Stable / CARE A3+
Short Term Bank Facilities	14.77 (Reduced from 15.50)	CARE A2	Revised from CARE A3+

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Accent Microcell Limited (AML) takes into consideration healthy growth in its scale of operations during FY23 along with augmentation of networth base post initial public offering (IPO) completed in December 2023. The ratings further derive strength from extensive experience of promoters with certified manufacturing facility, moderately diversified clientele, healthy profitability, comfortable capital structure as well as debt coverage indicators and adequate liquidity.

The ratings, however, continue to remain constrained by AML's moderate scale of operations, susceptibility of profitability to raw material price and foreign exchange fluctuations and its presence in a highly competitive pharmaceutical industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Volume backed growth in scale of operations with total operating income (TOI) above Rs.500 crore while maintaining PBILDT margin above 15% on sustained basis
- Improvement in networth base to over Rs.250 crore

#### Negative factors

- Decline in scale of operations with TOI below Rs.200 crore along with decline in profitability on sustained basis
- Deterioration in capital structure to over 1x as well as total debt to GCA over 3x on sustained basis

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings Limited's expectation that AML shall sustain its comfortable financial risk profile and shall continue to benefit from its experienced promoters and diversified and reputed clientele.

### Detailed description of the key rating drivers:

#### Key strengths

##### Growing albeit moderate scale of operations along with healthy profitability

The total operating income (TOI) of AML improved by 17% y-o-y to Rs.202.95 crore during FY23 vis-à-vis Rs.173.33 crore in FY22 and continued to remain moderate. The growth was driven by increase in sales volume as well as realization of both its key products i.e. Micro Crystalline Cellulose (MCC) and Croscarmellose Sodium (CCS). AML continued to report healthy growth in current year backed by healthy demand. During H1FY24, AML reported TOI of Rs.109.30 crore. AML's profitability remained stable over the past couple of years and remained at 9.33% in FY23 as against 9.68% in FY22. In line with this, PAT margin remained at 6.03% during FY23 as against 4.74% in FY22. However, profitability improved significantly in current year with AML reporting PBILDT margin of 18.5% in H1FY24 along with PAT margins of 12.90%. The improvement was mainly due to moderation in wood pulp prices, lower coal prices and benefit from economies of scale.

#### Successful completion of IPO in December 2023

In December 2023, AML raised Rs.78.40 crore through fresh issue of equity shares. This shall augment the networth base of the company. The said capital shall be utilized towards expansion capex and for general corporate purpose.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Extensive experience of promoters with established manufacturing facility**

AML was originally established in 2002 and subsequently converted into a private limited company. Further it got converted into closely held public limited company in December 2022 and subsequently got listed on NSE SME platform in December 2023. The key promoters of AML, Mr Ghanshyam Patel, Mr. Nitin Patel, Mr. Vasant Patel and Mr. Vinod Patel, have vast experience of around 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. Its plant at Pirana was established during 2012, while the plant located at Dahej - Gujarat 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.

**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 63.54% of TOI during FY23 vis-à-vis 66.80% in FY22. Thus, geographical concentration risk is mitigated to a certain extent. Sales to customers is mainly through distributors, both in export as well as domestic market. The customer profile remained moderately diversified with top 10 customers contributing 32% & 40% of TOI in FY23 & H1FY24 respectively as against 46% in FY22.

**Comfortable Capital structure and debt coverage indicators**

The overall gearing improved and remained comfortable at 0.68x as on March 31, 2023, vis-à-vis 0.91 times as on March 31, 2022, owing to improved tangible net worth on account of accretion of profits to reserves. Overall gearing is further expected to improve post augmentation of networth base on the back of public issue of Rs.78.40 crore in December 2023. Debt coverage indicators of AML also remained comfortable with PBILDT interest coverage of 6.97x and TDGCA of 2.07x in FY23.

**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 for unhedged portion in absence of active hedging policy.

**Presence in highly competitive pharmaceutical industry**

MCC market is 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. However, AML also has established marketing network and long relationship with its customers; hence, the said risk is mitigated to certain extent.

**Liquidity: Adequate**

Adequate liquidity supported by equity infusion via IPO in December 2023, positive cash flow from operations and moderate utilization of working capital limits. Against expected GCA of Rs.22-40 crore over the next 3 years, debt repayment obligations are low. Out of initial public offer of Rs.78.40 crore, 25% of the public issue can be used for general corporate purpose, thus providing additional comfort to liquidity. Further, operating cycle remained moderate at 68 days during FY23 as against 62 days during FY22, while the average fund-based working capital limits utilization during past twelve months ended January 2024 remained moderate at 50%. AML had positive cash flow from operations of Rs.5.62 crore in FY23 vis-à-vis Rs. 14.91 crore in FY22 mainly due to higher inventory o/s on March 31, 2023, at Dahej plant. Current ratio remained at 1.41 times as on March 31, 2023, as against 1.28 times as on March 31, 2022.

**Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

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

Ahmedabad-based (Gujarat), AML is promoted by Mr Ghanshyam Patel, Mr Vasant Patel, Mr Vinod Patel and Mr. Nitin 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. On December 15, 2023, AML raised Rs.78.40 crore via initial public offering and got listed on NSE SME platform. The company is engaged into manufacturing of Micro Crystalline Cellulose (MCC) & other excipient powders like Croscarmellose Sodium (CCS) and Magnesium Stearate (MS). 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 8,000 metric tonnes per annum (MTPA) combined from its Dahej Plant and Pirana Plant.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	173.33	202.95	109.30
PBILDT	16.79	18.94	20.26
PAT	8.22	12.24	14.10
Overall gearing (times)	0.91	0.68	NA
Interest coverage (times)	5.60	6.97	23.84

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available', NA: Not available

**Status of non-cooperation with previous CRA:** Crisil continued to place the ratings of Accent Microcell Limited under 'Issuer not cooperating' category vide press release dated October 09, 2023, 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 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:** 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		-	-	20/11/2027	3.30	CARE BBB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	20.50	CARE BBB+; Stable / CARE A2
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	2.00	CARE A2
Fund-based - ST-Forward Contract		-	-	-	1.77	CARE A2
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.50	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	11.00	CARE A2

**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 2023-2024	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
1	Fund-based - LT/ ST-Cash Credit	LT/ST	20.50	CARE BBB+; Stable / CARE A2	1)CARE BBB; Stable / CARE A3+ (03-Apr-23)	-	1)CARE BBB; Stable / CARE A3+ (04-Mar-22)	1)CARE BBB; Stable / CARE A3+ (05-Mar-21)
2	Non-fund-based - ST-Letter of credit	ST	11.00	CARE A2	1)CARE A3+ (03-Apr-23)	-	1)CARE A3+ (04-Mar-22)	1)CARE A3+ (05-Mar-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.50	CARE BBB+; Stable / CARE A2	1)CARE BBB; Stable / CARE A3+ (03-Apr-23)	-	1)CARE A3+ (04-Mar-22)	1)CARE A3+ (05-Mar-21)
4	Fund-based - LT-Term Loan	LT	3.30	CARE BBB+; Stable	1)CARE BBB; Stable (03-Apr-23)	-	1)CARE BBB; Stable (04-Mar-22)	1)CARE BBB; Stable (05-Mar-21)
5	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	2.00	CARE A2	1)CARE A3+ (03-Apr-23)	-	-	-
6	Fund-based - ST-Forward Contract	ST	1.77	CARE A2	1)CARE A3+ (03-Apr-23)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of 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 the complexity levels of the rated instruments:** CARE Ratings 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.

## Contact Us

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