

Ahimsa Industries Limited

October 04, 2019

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	0.65 (reduced from 1.74)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	5.00	CARE A4+ (A Four Plus)	Reaffirmed
Long-term/Short-term Bank Facilities	7.00	CARE BB+; Stable/CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus)	Reaffirmed
Total	12.65 (Rupees Twelve Crore Sixty Five lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Ahimsa Industries Limited (AIL) continue to remain constrained on account of its moderate scale of operations which dipped in FY19 (FY; refers to the period April 1 to March 31) due to reduction in its textile trading sales and moderate profit margins. The ratings, further, continue to remain constrained on account of susceptibility of its profit margins to volatility in raw material prices and foreign exchange rates and presence of AIL into competitive Polyethylene Terephthalate (PET) preform industry.

The ratings, however, continue to derive benefits from vast experience of promoters, comfortable capital structure and moderate debt coverage indicators during FY19.

AIL's ability to increase its scale of operations with an improvement in profitability and debt coverage indicators are the key rating sensitivities. Further, improvement in overall liquidity position through efficient working capital management will also remain crucial.

Detailed description of key rating drivers

Key Rating Weaknesses

Dip in scale of operations due to gradual reduction of its textile trading and moderate profit margins

The scale of operations as marked by Total Operating Income (TOI) declined significantly by ~60% on a y-o-y basis and remained at Rs.38.20 crore during FY19. The primary reason for reduction in TOI is on account of a gradual reduction in its textile trading operations. PBILDT margin of AIL remained moderate at 6.86% in FY19 as compared to 4.17% in FY18 on account of decrease in proportion of cost of traded goods during FY19. Despite an increase in PBILDT margin, PAT margin continued to remain low at 0.56% in FY19 as against 0.86% in FY18, led by proportionate increase in depreciation cost and interest and finance charges.

Susceptibility of its profit margins to volatility in raw material prices and foreign exchange rates

The prices of primary raw materials for manufacturing PET preform, i.e., Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG) are derivatives of crude oil which is in turn linked to global demand-supply, the price fluctuation of the same may affect the profit margins of the company in case of its inability to pass on the same to end consumers. Also, as AIL imports few of its raw materials and exports part of its finished goods, its profit margins are also exposed to foreign exchange fluctuation risk in absence of prudent foreign exchange hedging policy.

Presence into competitive nature of plastic industry

The industry is characterized by low entry barriers, availability of fiscal benefits from the government and easy access to customers and suppliers. As a result, AIL faces high competition from various organized as well as unorganized players from domestic market.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Key Rating Strengths

Vast experience of the promoters

The key promoter of AIL, Mr. Ashutosh Gandhi, has an experience of more than two decades in the trading of plastic industry, primary including confectionery machinery and injection and blow-molding moulds.

Comfortable capital structure and moderate debt coverage indicators

AIL's capital structure as marked by an overall gearing ratio continued to remain comfortable at 0.59 times as on March 31, 2019 as against 0.56 times as on March 31, 2018 on account of slight increase in total debt owing to increase in outstanding working capital bank borrowings utilization as on March 31, 2019.

Debt coverage indicators marked by Total Debt to Gross Cash Accruals (TDGCA) continued to remain moderate, albeit deteriorated to 4.64 years as on March 31, 2019 (2.84 times as on March 31, 2018), led by higher working capital bank borrowings utilization coupled with decrease in gross cash accruals level in FY19. Further, the interest coverage ratio also deteriorated marginally and remained moderate at 3.50 times during FY19 (4.89 times during FY18).

Liquidity: Stretched

Liquidity of AIL remained stretched marked by current ratio of 1.26 times as on March 31, 2019. However, working capital cycle of AIL remained fluctuating for the past three years ended FY19, while it elongated to 121 days during FY19 due to elongation in average collection period and inventory period (Collection period elongated from 89 days in FY18 to 218 days in FY19). Average utilization of working capital bank borrowings for the past 12-months ended August, 2019 stood high at ~80%. The cash and bank balance remained moderate at Rs.1.09 crore, while net cash flow from operations remained low at Rs.0.76 crore as on March 31, 2019.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning outlook to credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

About the Company

Ahmedabad-based (Gujarat) AIL, reconstituted as a public limited company in May 2015 was originally incorporated as Ahimsa Industries Private Limited (AIPL) in 1996 by Mr. Ashutosh Gandhi and his wife Mrs. Sneha Gandhi to undertake the trading of confectionery machinery and injection and blow-molding moulds as well as for executing turnkey projects as a merchant exporter. From January 2012, the company has also started manufacturing of "Polyethylene Terephthalate (PET) preforms" at Piplaj near Ahmedabad. The capacity of its manufacturing plant remained at 3,600 metric tonnes per annum (MTPA) as on March 31, 2019. AIL has its registered brand name "Greenpet" under which it sells PET preforms, which find application in liquid packaging industry for manufacturing plastic bottles.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	96.02	38.20
PBILDT	4.00	2.62
PAT	0.83	0.21
Overall gearing (times)	0.56	0.59
Interest coverage (times)	4.89	3.50

A: Audited

Status of non-cooperation with previous CRA: ICRA has suspended rating assigned to the bank facilities of AIL vide press release dated May 15, 2013 on account of non-cooperation by AIL with ICRA's efforts to undertake a review of the ratings outstanding.

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT/ ST-EPC/PSC	-	-	-	2.00	CARE BB+; Stable / CARE A4+
Fund-based - LT/ ST-Cash Credit	-	-	-	5.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Forward Contract	-	-	-	5.00	CARE A4+
Fund-based - LT-Term Loan	-	-	December, 2019	0.06	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	March, 2021	0.24	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	October, 2021	0.35	CARE BB+; Stable

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (06-Sep-18)	1)CARE BB+; Stable (14-Sep-17)	1)CARE BB+ (07-Nov-16)
2.	Fund-based - LT/ ST-EPC/PSC	LT/ST	2.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (06-Sep-18)	1)CARE BB+; Stable / CARE A4+ (14-Sep-17)	1)CARE BB+ / CARE A4+ (07-Nov-16)
3.	Fund-based - LT/ ST-Cash Credit	LT/ST	5.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (06-Sep-18)	1)CARE BB+; Stable / CARE A4+ (14-Sep-17)	1)CARE BB+ / CARE A4+ (07-Nov-16)
4.	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A4+	-	1)CARE A4+ (06-Sep-18)	1)CARE A4+ (14-Sep-17)	1)CARE A4+ (07-Nov-16)
5.	Fund-based - LT-Term Loan	LT	0.06	CARE BB+; Stable	-	1)CARE BB+; Stable (06-Sep-18)	1)CARE BB+; Stable (14-Sep-17)	1)CARE BB+ (07-Nov-16)
6.	Fund-based - LT-Term Loan	LT	0.24	CARE BB+; Stable	-	1)CARE BB+; Stable (06-Sep-18)	1)CARE BB+; Stable (14-Sep-17)	1)CARE BB+ (07-Nov-16)
7.	Fund-based - LT-Term	LT	0.35	CARE	-	1)CARE BB+;	1)CARE BB+;	1)CARE BB+

Loan			BB+; Stable		Stable (06-Sep-18)	Stable (14-Sep-17)	(07-Nov-16)
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Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name- Mr. Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Name – Ms. Shreedha Shah

Contact no.- (079) 40265636

Email ID- shreedha.shah@careratings.com

Business Development Contact

Name: Mr. Vimlendu Mishra

Contact no. : (079) 40265640

Email ID: vimlendu.mishra@careratings.com

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