

Aksh Optifibre Limited

April 01, 2020

Ratings

Facilities	Amount (Rs. Cr)	Rating ¹	Rating Action
Long Term Bank Facilities (Term Loan)	66.00 (reduced from 112.41)	CARE D (Single D)	Reaffirmed
Long Term Bank Facilities (Fund Based)	70.00 (reduced from 70.80)	CARE D (Single D)	Reaffirmed
Short Term Bank Facilities (Non-Fund Based)	114.00 (reduced from 183.79)	CARE D (Single D)	Reaffirmed
Total facilities	250.00 (reduced from 367.00) (Rs. Two hundred and fifty crores only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating reaffirmation for the bank facilities of Aksh Optifibre Limited (AOL) continues to factor in the past instances of LC devolvement and delayed payments on its debt obligations. The company had been facing stressed liquidity position resulting from delayed realizations from its customers leading to cash flow mismatches. CARE has taken into account that the account of AOL is still not standard with all the lenders though the delayed interest & debt obligations have been serviced as confirmed by its lenders.

Key Rating Sensitivities: Going forward, the ability of the company to service its debt & interest obligations in a timely manner would remain the key rating sensitivities.

Positives:

- Regularization of the debt obligations of the company with no delays & classification of its account as Standard for a minimum period of 3 months with all its lenders.

Analytical approach: Standalone. However, the support extended by AOL to the subsidiaries has been factored in.

Detailed description of the key rating drivers

Key rating Weakness

Stretched Liquidity

The company had delays in servicing its debt obligations on account of stressed liquidity position resulting from delayed realizations from customers leading to cash flow mismatches. Later, as the company received the payment from its customers, it has cleared the delays and is now regular in servicing its debt obligations. The account however is not yet classified Standard by all its lenders.

The current ratio of the company has decreased from 1.17x on March 31, 2018 to 0.94x as on March 31, 2019. Operating cycle of the company increased to 104 days as on March 31, 2019 (PY: 84 days). Average collection period of the company increased to 138 days in FY19 from 124 days in FY18.

Key rating Strengths

Experienced promoters with established track record in the OFC industry

Incorporated in 1986, the company has over three-decades of long track record of operations in OFC industry. AOL manufactures OFC and is also backward integrated to manufacture OF and FRP rods, which leads to operational efficiencies. The company started with the manufacturing of OF and OFC in 1994. In 1996-97 AOL acquired FRP business which is a key raw material for OFC. AOL went public in 2000 and is listed on NSE and BSE. The company also delivers to e-governance services through its programme 1 Stop Aksh with the government of Rajasthan. The present Chairman and Managing Director, Dr. Kailash S. Choudhari, is a key founding member of AOL. He is MBBS by qualification, gold medallist AIIMS. His father, Mr.

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

Shantilal Choudhari, was the promoter of Choudhari Metal Industry (later on renamed CMI Limited) which specializes mainly in manufacturing of copper cables.

Applicable criteria:

[CARE's Criteria on assigning Outlook and Credit watch to Credit Ratings](#)

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

[CARE's methodology for Short-term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[CARE's methodology for financial ratios \(Non Financial sector\)](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

About the Company

Aksh Optifibre Limited (AOL) was incorporated in March 1986 as a manufacturer of Poly Vinyl Chloride (PVC) and Polyethylene (PE) insulated specialty cables. In 1994, the company ventured into manufacturing of Optical Fibre Cables (OFCs) and did backward integration in 1995 by setting up a plant for Optical Fibre (OF) in Bhiwadi, Rajasthan. In 2000, AOL acquired Fibre Reinforced Plastic Rods (FRP rods) business which is a key raw material for OFC (mainly used at the strength membrane in OFC). The company is also undertaking e-governance services, which includes 10,000 plus e-Governance kiosks in the state of Rajasthan and is also providing smart city/ turnkey solutions, which includes installation and managing of OFC turnkey of 350 kms in Jaipur smart city project.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total operating income	587.87	540.45
PBILDT	74.42	100.07
PAT	22.81	28.14
Overall gearing (times)	0.47	0.39
Interest coverage (times)	4.15	3.53

A: Audited

Status of non-cooperation with previous CRA: NA

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	-	-	2027	66.00	CARE D
Fund-based - LT-Cash Credit	-	-	-	70.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	114.00	CARE D

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	66.00	CARE D	1)CARE D (27-May-19)	1)CARE BBB; Stable (07-Mar-19)	-	-

2.	Fund-based - LT-Cash Credit	LT	70.00	CARE D	1)CARE D (27-May-19)	1)CARE BBB; Stable (07-Mar-19)	-	-
3.	Non-fund-based - ST-BG/LC	ST	114.00	CARE D	1)CARE D (27-May-19)	1)CARE A3+ (07-Mar-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Na

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.

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About CARE Ratings:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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