

Axtel Industries Limited

April 28, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term/ Short Term Bank Facilities	12.00	CARE BBB; Stable/ CARE A3+; ISSUER NOT COOPERATING* (Triple B; Outlook: Stable/ A Three Plus; ISSUER NOT COOPERATING)	Issuer not cooperating; Outlook revised from Positive to Stable; Based on best available information
Short Term Bank Facilities	8.00	CARE A3+; ISSUER NOT COOPERATING* (A Three Plus; ISSUER NOT COOPERATING)	Issuer not cooperating; Based on best available information
Total	20.00 (Rupees Twenty crore only)		

Details of facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Axtel Industries Limited (AIL) to monitor the ratings vide e-mail communications/ letters dated September 23, 2019, November 04, 2019, December 04, 2019, January 24, 2020, February 24, 2020, February 28, 2020, March 02, 2020, March 13, 2020, March 19, 2020 and numerous phone calls. 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 has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on AIL's bank facilities will now be denoted as **CARE BBB; Stable/ CARE A3+; 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 ratings.

The ratings assigned to the bank facilities of AIL takes into account its moderate and growing scale of operations and its overall financial risk profile marked by comfortable profit margins, capital structure and debt coverage indicators along with comfortable liquidity position in FY19 (FY; refers to the period April 1 to March 31). The ratings, further, continue to derive strength from the long standing experience of the promoters in manufacturing of food processing machines, its established operational track record of operations of more than two decades and reputed clientele in its portfolio.

The ratings, however, continue to remain constrained on account susceptibility of profit margins to volatility in raw material prices, customer concentration risk and moderately elongated operating cycle.

Outlook: Stable

The outlook is revised from 'Positive' to 'Stable' on account of non-availability of the requisite information for monitoring the ratings.

Detailed description of the key rating drivers

At the time of last rating on March 01, 2019 the following were the rating strengths and weaknesses (Updated for the information from publically available information)

Detailed description of key rating drivers

Key Rating Strengths

Moderate scale of operations with comfortable profit margins

The scale of operations of AIL, marked by Total Operating Income (TOI) increased to Rs.113.47 crore in FY19 as against Rs.82.21 crore in FY18. Further, PBILDT margin continued to remain comfortable at 19.91% during FY19 which increased from 13.15% during FY18. Resultantly, PAT margin also continued to remain comfortable at 11.42% during FY19 as against 7.22% during FY18. Further, during 9MFY20 (Unaudited), the TOI, PBILDT and PAT remained at Rs.78.56 crore, Rs.14.27 crore and Rs.8.60 crore respectively.

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

*Issuer did not co-operate; based on best available information

Comfortable capital structure and debt coverage indicators

The capital structure as marked by overall gearing ratio continued to comfortable at 0.02 times as on March 31, 2019 as against 0.10 times as on March 31, 2018. Debt coverage indicators of AIL also continued to remain comfortable as marked by total debt to gross cash accruals (TDGCA) of 0.07 times as on March 31, 2019 and interest coverage ratio of 46.99 times for FY19.

Experienced promoters and established operational track record with reputed clientele

AIL is operational in this industry since 1991, while the promoters hold more than two decades of experience into same line of business. Over the period, AIL has developed strong business presence and established well known customer base in its portfolio, largely across Fast Moving Consumer Goods (FMCG) segment; both in domestic as well as overseas markets.

Key Rating Weaknesses

Susceptibility of profit margins to volatility in its raw material prices coupled with customer concentration risk

AIL's customer portfolio consists of very large organized players in their respective industries; hence the company has limited bargaining power in terms of ability to pass on any adverse movement in raw material prices. Also the company has no price contracts with its suppliers for supply of raw materials; thus faces uncertainty with respect to volatility in price of raw materials. Furthermore, customer concentration risk also persists.

Moderately elongated operating cycle

Operating cycle remained at 77 days as during FY19 as against 81 days during FY18. The Gross Current asset days remained at 142 against creditors of 65 days during FY19.

Liquidity: Comfortable

Liquidity position of AIL remained comfortable marked by moderate current ratio of 1.60 times as on March 31, 2019. The average utilization of working capital borrowings remained low at around 5% during past 12 months ended March, 2020. Furthermore, unencumbered cash and bank balance remained comfortable at Rs.5.50 crore as on March 31, 2019, while net cash flow from operations remained at Rs.11.01 crore during FY19.

Analytical Approach: Standalone

Applicable Criteria

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

[Criteria on assigning 'outlook' to Credit Ratings](#)

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

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

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

About the Company

Axtel Industries Ltd. (AIL) was incorporated in 1991 as Advanced Extrafoil Technology and Exports Limited to manufacture food processing equipment for solid handling, size reduction, mixing & blending, storage & discharge, cleaning & grading etc. The company is headed by an experienced board of directors consisting of promoter directors Mr. Ajay Parikh and Mr. Ajay Desai. AIL operates from its sole manufacturing facility located at Halol (Gujarat).

AIL offers complete process plants as well as individual equipment covering requirements in the food processing value chain from raw material reception to the final stages of processing. Its products find use in various food processing industries such as confectionery, malted drinks, aqua feed, ready to eat foods, bakery & biscuits, dairy products, beverages, instant mixes, snack foods, spices, condiments & seasoning.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	82.21	113.47
PBILDT	10.81	22.59
PAT	5.93	12.96
Overall gearing (times)	0.10	0.02
Interest coverage (times)	21.45	46.99

A: Audited

Till 9MFY20 (Provisional) ALL reported TOI of Rs.78.56 crore with a PAT of Rs.8.60 crore.

Status of non-cooperation with previous CRA: Not Applicable

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/ ST-CC/Packing Credit	-	-	-	12.00	CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	8.00	CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (06-Feb-18)
2.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	12.00	CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE BBB; Positive / CARE A3+ (01-Mar-19)	1)CARE BBB; Stable / CARE A3+ (06-Feb-18)
3.	Non-fund-based - ST-BG/LC	ST	8.00	CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A3+ (01-Mar-19)	1)CARE A3+; Stable (06-Feb-18)

**Issuer did not cooperate; Based on best available information*

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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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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